

# OCEAN TRAFFIC AND TRADE

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# OCEAN TRAFFIC AND TRADE

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## INTRODUCTION

Remnants of the romance of other days still flutter alluringly over the ships that carry the commerce of the world hither and thither, up and down the seven seas. The humdrum conditions surrounding modern coal and ore cargoes have not robbed even our Great Lake steamers of all their interest. An atmosphere of early times yet envelops the very different traffic of today on the Mississippi and the Ohio. Even prosaic canal boats are to most people more reminiscent of old days than prophetic of the new and greater systems actually in process of evolution.

The water borne commerce of the twentieth century, however, long ago parted company from romance, adventure, and even novelty, and is today a highly specialized and systematized business. Even though often diversified by speculative operations, inseparable from the very nature of much of that business, yet, as an old sea captain complained years ago to the author, on the long voyage via Suez to the Far East, the modern steamship has developed (the captain said "degenerated") into little more than a penny bus.

None the less there is undeniably a certain glamour that still attaches to the shipping business, the mystery that enshrouds it in the minds of too many landlubbers.

is illustrated in popular essays and in the conduct of probes and investigations just now so frequent. This mystery is manifested, too, in the extraordinary ignorance and the astonishing blunders unfortunately common among shipping clerks and traffic managers, too frequent even among their superiors.

The war has added a stern significance to the importance of ocean commerce, both to the nation and to its business enterprises. We are in the midst of tremendous and fundamental adjustments. Suddenly, perhaps, the old maritime power of the United States is to be restored. In the midst of this transitional stage, it is unwise and undesirable to attempt to undertake a complete revision of this text. Institutions and business practices always have their roots in the past. Whatever the reconstructed shipping and commerce may be, it will follow pretty closely upon the carefully digested experience of the past as presented in this work.

## CHAPTER I

### SEA BORNE TRAFFIC

#### 1. FOREIGN SHIPPING THE MOST IMPORTANT

By far the most interesting feature of water transportation, as it is also the most necessary study for shippers, is the sea borne traffic, and particularly the part of that traffic that connects American manufacturers and producers with customers in foreign countries. Only about one-tenth of the foreign trade of the United States, in either exports or imports, is carried by land vehicles. There is a fascination about salt water that is undeniably absent from even the most imposing bodies of fresh water—perhaps because of the vastness of the oceans, perhaps because of the suggestion of lands beyond. These unknown peoples, whether in ancient nations whose histories we know or in newer colonies, all have markets whose commerce allures and beckons.

Moreover the marvelous era of American domestic development is rapidly drawing to its close; the overseas expansion of American commerce is fast monopolizing the thought and study of both economists and practical men. American railways are built; our factories, farms, and mines demand new outlets for their products; beyond the oceans—to east, to west, and to south of us—

lie great markets which we have just begun to explore. We have yet to study them seriously. The first vital preliminary to their commercial conquest is a thorough understanding of the ocean carrier—of conditions, methods, and practices in shipping by water, differing in many respects from systems with which we have become familiar in the development of our home trade. Our inland water borne traffic and even our coastwise traffic are well known to us, having developed almost in our own generation and often in conjunction with railway traffic, to whose terms and practices those employed in inland and coastwise water traffic have largely conformed. There are, then, several good reasons for devoting the greater part of this treatise to a consideration of our foreign shipping.

## 2. A STUDY EMBRACING THE WHOLE WORLD

In any consideration of trans-oceanic shipping, as in other foreign relations, broad-mindedness is essential. In dealing with a traffic which reaches around the world, which connects us intimately with hundreds of nations and colonies, each with little peculiarities of its own, any narrow or provincial point of view must be abandoned. Of late we have heard quite too much of conditions in shipping, which it seems to be assumed are peculiar to our ports or our freights and which it is even asserted are deliberately created by our rivals in an effort to cripple our growing commerce and power. Under any comprehensive and broad-minded inquiry, such prejudices will be rapidly dissipated as we learn that similar practices are in vogue in other countries also; that they may be the rule the world over; and that they are



either accepted as matters of course in other lands or are subject to precisely the same complaints that we make against them

Another indispensable preliminary to an intelligent study of sea borne commerce and shipping is an intimate knowledge of the geography of the world, of countries and ports, of oceans, seas, and great rivers, of climates, physical characteristics, economic conditions, and, to some extent, of history. A review of these related subjects is strongly urged on him who is ambitious to master the broad subject

### 3. TRANS-OCEANIC USAGES DIFFER FROM INLAND OR COASTWISE USAGES

Methods, terms, and documents, used in overseas commerce, differ in many respects from those employed in domestic, and especially in railway, traffic. Consider one or two simple illustrations Insurance on rail freights is usually a minor consideration to the shipper, since the law makes the rail carrier the insurer of the freight,<sup>1</sup> on the contrary, the shipper by water who neglects to insure his goods may some day be rudely awakened to the significance of the term "general average." He may find, not only that his goods have been damaged, but that he must pay a quota of the expense incurred in saving a whole cargo from total destruction. Again, the ton used in the measurement of ocean freight may be the long ton (2,240 pounds), the metric ton (2,205 pounds), or, as is more frequently the case, the measurement ton (40 cubic feet or sometimes one cubic meter,

<sup>1</sup> *Transportation by Water in the United States*, Report of the Commissioner of Corporations, Washington, 1912

35 cubic feet) These and other peculiarities of trans-oceanic carriers and shipping practices are dealt with in following chapters.

#### 4 IMMENSITY OF OUR FOREIGN TRADE

The commerce of the entire United States fifty years ago was less than one-quarter of the commerce of the single port of New York for the year 1912. Averaging the annual totals, twenty-one ships engaged exclusively in the foreign trade enter and as many more clear from the port of New York every day of the year, Sundays and holidays included. These ships have an aggregate dead-weight cargo-carrying capacity of approximately 70,000,000 tons per year. In 1912 they took out of New York, American products destined to the four quarters of the globe, valued at about \$884,000,000. Other ports of the United States—Boston, Philadelphia, New Orleans, Galveston, San Francisco, the Puget Sound ports, and those of lesser importance—share in the grand total of over two billion dollars, to which our foreign commerce (exports and imports combined) had attained in a normal year prior to the European war. Such of these ships as have passenger accommodation land an average of 2,500 human beings in New York every day.<sup>2</sup>

This business is worth thought and study, not alone because of its present magnitude, startling as it is, but because its great growth is comparatively recent and points a sure finger to more wonderful development. Nine-tenths of this foreign trade is transported by water. Statistics, therefore, justify a treatise on ocean traffic and commerce

<sup>2</sup> The record up to date is 11,323 passengers landed in a single day.

## TEST QUESTIONS

- 1 Why is sea borne traffic so important to American exporters and importers?
- 2 How much of the foreign trade of the United States is carried by land vehicles?
- 3 What relationship exists between the international development of the United States and foreign shipping?
- 4 How do trans-oceanic usages differ from inland or coast-wise usages? Mention a number of specific instances
5. How does the commerce of the United States fifty years ago compare with that of the port of New York today?
- 6 Approximately how many ships engaged in the foreign trade enter and clear the port of New York every day of the year?
- 7 Approximately what is the cargo-carrying capacity of these vessels?
- 8 What is the grand total of our foreign commerce per year?

## CHAPTER II

### OCEAN CARRIERS

#### 1. COMPARISON OF SERVICES

Until the middle of the nineteenth century sailing vessels enjoyed a monopoly of ocean commerce. Nowadays cheap bulk commodities are their principal cargo, although they are still sometimes used as precursors to the establishment of regular steamship lines for budding trades with new territories. Sailing vessels also find employment in the transportation of cargoes smaller than the average steamships can carry economically. A shipper of 50,000 cases of kerosene oil or even twice as much, usually finds it difficult to charter a steamer of sufficiently small capacity to warrant such a shipment as a complete cargo, and hence he has recourse to the sailer.

Several considerations may make more desirable and economical the employment of a steamer, even if not fully loaded. The steamer can be depended upon to arrive promptly and safely at destination; the interest on investment in cargo for time of transportation is less than on the slower ship; and the insurance premiums are smaller than those charged for sailers' cargoes. During the recent period of high freight rates, conditions have favored the more general employment of sailers for the transport of cargo of low value. The demand for them

has also been promoted by an insufficiency of steam tonnage to take care of the enormous quantities of freights offering. Moreover, the fact that sailing ships must still be reckoned with is witnessed by the continued existence of such vessels plying in regular services—for example, between New York and Porto Rico or between Boston and South American ports, especially ports of the River Plate. The future of sailing ships fitted with auxiliary internal combustion engines is one of the interesting questions now sometimes debated in shipping circles.

When considering shipping routes, the time factor is often important. This may be illustrated in the care bestowed upon the expensive shipments of silk from Japan, which are rushed across the Pacific by the fastest available boats, loaded immediately into special "silk trains" on the trans-continental railway lines, and hurried across the United States at express speed. This haste is to reduce to its minimum the interest charge on possibly a million or more dollars involved, this charge amounting to an item of considerable moment for each day's delay in arrival at destination. Similarly, before routing a shipment from the eastern or southeastern states by steamer from New York, or by rail across the continent and thence via a Pacific steamer, Chinese importers of American cotton piece goods take into consideration the interest charge for, say, a month, on \$25,000 or \$100,000. At times the higher freight charge necessitated by the latter route has been more than offset by the interest accumulating during the longer time required in transit by steamer from New York. The ocean steamship must, therefore, occupy our chief attention.

## 2. KINDS OF STEAMSHIPS

It is difficult to classify ships of today, as the several types are far from distinct and sometimes merge almost imperceptibly one into another. In a general way varieties of ocean steamships may be analyzed thus:

I Freighters (Carrying freight only)	{ (a) Tramps (b) Liners
II Steamships de Luxe (Carrying passengers only)	{ (a) Express boats of the highest attainable speed (e g, Maur-etania) (b) Ships of high but not excessive speed (e g, Imperator)
III Combination Vessels (Carrying freight and passengers)	{ (a) Chiefly catering to passenger trade (b) Equally devoted to passenger and freight services (c) Incidentally carrying passengers.

In some respects this tabulation is unusual and may require defense. In catering to the immense passenger trade between the United States and Europe, steamship companies now seem to be dividing their attention between boats of the most luxurious character, intended solely for carrying passengers at high rates of fare, and the comfortable "combination" of moderate speed and large cargo-carrying capacity. The ultra-luxurious, exclusively passenger boats have, within the last few years, practically eliminated cargo space from their plans and cargo revenue from their accounts. The tendency is toward luxury rather than speed. We owe to the Germans almost every innovation, convenience, comfort, and luxury which today distinguish the trans-Atlantic

ships of all nations from their prototypes of fifteen years ago. These improvements have gradually, usually grudgingly, been introduced by the British on the newer liners plying from Europe to Australia and the Orient, to South Africa and South America. But nowhere else in all the seven seas are ships to be found that equal those we demand in the New York-European trade.

Modeling their vessels after the best types in the North Atlantic service, steamship companies plying from European ports to Canada, Australia, the Far East, South Africa, and the River Plate have, in late years, wonderfully improved their passenger boats. Again, in a general way, these may be described as of two classes: (1) The fast express steamers and (2) what are often called the "intermediate" steamers. New ships on these services range from 15,000 tons up to more than 20,000 tons.

### 3 STEAMSHIP LINES

With the development of trade and intercourse between ports, the establishment of regular lines of steamships having fixed dates of departure and approximate dates of arrival and plying over definite routes, proceeds from occasional sailings to the frequency that may be demanded by the trade in question. From the lines of sailing ships and fast clippers sailing monthly or fortnightly between our ports and those of Great Britain or the Continent, there gradually developed lines of steamers growing into services of weekly, semi-weekly, or sometimes (especially with the German lines) even more frequent sailings.

Regularity of departures and arrivals is believed to stimulate both freight and passenger patronage. The operation of such lines obviously must be comparatively

expensive, for overhead charges including the high costs of advertising nowadays believed necessary, are vastly increased. In addition there can be no waiting for cargo or passengers. The ship must sail on schedule time with or without freight or passengers

It is the popular impression that the term "line" indicates the widely known groups of passenger ships. There are, however, regular lines of cargo boats which steam regularly and periodically over the same routes but do not carry passengers. Full or not full, these freight boats usually sail on the day and hour announced several months previously, and shippers of general cargo profess to find in their regularity a pronounced advantage in the transaction of business. Yet "liner" tonnage is said to be not more than one-third of the total tonnage engaged on the great trade routes of the seas.<sup>1</sup>

Regular steamship lines may be operated exclusively by boats owned by the company concerned, or that company may charter (i e., lease) vessels from other owners to fill some, or even all, of its sailing dates. There are regular lines which own a limited tonnage; others possess no ships at all; and even the largest lines have sometimes found their own vessels incapable of moving a large volume of freight as expeditiously as they believed necessary in order to satisfy their customers, the shippers.<sup>2</sup> On the other hand, lines sometimes have a surplus of ships which cannot profitably be employed in their regular service, and they lease such vessels on charter for almost any sort of service.

<sup>1</sup> *The Times*, Shipping Number, London, Dec 13, 1912

<sup>2</sup> See testimony of W G Sickel of the Hamburg-American Line before the Committee Investigating Shipping Combination, Jan. 31, 1913, Report, p 816.



## 4. TRAMPS

A tramp steamer is a cargo carrier that is built for hire and is not connected with any particular service. Most tramps are built without any specific object in view apart from general serviceability for cargo traffic combined with economy of operation. When such a ship is delivered to its owner, it is offered for charter to whoever may be in need of a vessel. A tramp chartered to a regular line, even if it makes several or many round voyages in that employment, loses its character as a tramp for the time being only and returns ultimately to its own class. It may be found today in New York, loading a cargo of grain for Europe, and three months from now, in Australia, taking in wool for England. The operations of a typical tramp are illustrated in the following example. A certain ship sailed from London with cargo for Colombo, Singapore, and several ports in Japan; from Japan the vessel proceeded to Java and loaded a cargo of sugar for New York, from New York the ship was chartered to carry sundry merchandise for twenty-six ports on the West Coast of South America; loaded with a cargo of nitrate of soda, the ship sailed from Chile for Baltimore, proceeding thence in ballast to New York to receive a cargo of general merchandise for Australia and New Zealand. These several operations covered a period of almost two years, during which time the ship in question never once returned to its home port.<sup>3</sup>

Tramp steamers are usually devoted to the carriage of bulk cargo in full steamer-loads—grain, coal, ore, nitrate, phosphates, lumber, sugar, fibres, clay, chalk, etc

<sup>3</sup> Andrews, Frank, *Ocean Freight Rates and Conditions Affect Them*, Statistics Bulletin 67, Agriculture Department, 1907

They may, however, be chartered for a great variety of purposes; for example, eight or ten steamers are loaded annually at Philadelphia with full cargoes of agricultural machinery to be discharged at ports in Russia. A tramp may be employed for general cargo, especially when chartered to fill the sailing date of a regular line, as was the case in the illustration just given for a sailing from New York to twenty-six ports along the West Coast of South America. Two of the regular lines sailing from New York in this trade employ chartered vessels, hiring them for the outward voyage only and taking from the United States all manner of produce and manufactures. After discharging at the last port for which cargo has been received, the ship is released and her owners seek other employment for her.

The operations of tramp vessels of today have been made possible through the extension of telegraphic cable systems to the uttermost parts of the earth. When an owner or agent has a vessel for charter, the fact may be instantly communicated to brokers in all the principal ports where possible cargo may be looked for. Before a tramp's voyage is finished, its owner is in negotiation with other possible shippers in different countries. He receives offers for the transportation of various kinds of cargo between widely separated ports.

The services of a tramp are sold through brokers just as any commodity might be disposed of. Offers submitted to the owner, who may be in England, by brokers in the United States or Australia, are considered and accepted or rejected as his greatest profit may appear probable.

The tramp ship has been likened by Professor Johnson to a freight car, taking whatever cargo requires trans-

port whenever it is ready to be shipped and free to go anywhere to pick up one. The tramp, being built for carrying shiploads of heavy or bulky goods, is usually designed with the largest possible cargo space. Careful study is given the relation between cargo-carrying capacity, speed with resulting consumption of coal, and probable available income based on expected freight rates.<sup>4</sup> A tramp ship must make a fair rate of speed; otherwise it cannot secure the best rates of freight. On the other hand, with an increase in speed above a certain point, expenses exceed income at usual freight rates. It was only a few years ago that eight or nine knots an hour were believed to be the most economical speed for the freight carrier of from 1,000 to 3,000 tons. There is an enormous number of tramps of about 2,000 tons. Recently, however, the tendency seems to be toward larger vessels running from 10 to 12 knots per hour.

Typical of the new generation of tramps are those of the so-called "Strath-" fleet, owned by a large British company. This fleet, numbering over thirty vessels of the better class, was built from 1906 to 1912, each vessel bearing a name beginning with the syllable "Strath-". Each of these vessels is of 4,000 or 5,000 tons gross, about 375 feet over all, 50 feet beam, has a dead-weight carrying capacity of, say, 7,000 tons, and the ability to steam 9 or 10 knots per hour. It should be noted that although this large fleet is the property of one company, the vessels engaged are purely tramps, are chartered here and there in every direction, and do not constitute a line in any sense of the word.

<sup>4</sup>The fuel cost of operating a steamer ranges, according to size and speed, from 25 to 50 per cent of her total working expenses.

Of late years more and more attention seems to have been devoted to specialization in the building of cargo steamers. We have boats built especially for the coal and ore trades, although such vessels are usually considered suitable for bulk grain transportation also. The world's fleet of bulk oil carriers, "tank ships," as they are usually called, has been steadily increasing and now numbers several hundred vessels. Ships built with especial refrigerating facilities are employed in the frozen meat trade, and others, slightly modified, in the rapidly developing fruit business.

On the Pacific Coast of the United States a special type of lumber carrier called the steam schooner is popular. But the main consideration in the building and operation of any such vessel is economy in every department of operation. All available storage room is used for loading freight. A tramp steamer whose net tonnage is approximately 2,500 tons will give a dead-weight freight-carrying capacity of approximately 6,000 tons, while the *Mauretania*, measuring gross almost 32,000 tons, will carry only 1,500 tons of freight. The coal consumed in one day by the *Mauretania*, would carry a tramp steamer of the size just mentioned back and forth between New York and Liverpool from three to four times if it were steaming at approximately 9 or 10 knots per hour. The comparative economy of low-speed engines resides, therefore, not only in reduced consumption of fuel, but in largely increased cargo-carrying capacity. The relative advantages of all of these economies are considered in a tramp steamer.

## TEST QUESTIONS

1. When was the monopoly of ocean commerce by sailing vessels broken up? Why?
2. What kinds of commodities are chiefly carried on sailing vessels at the present time?
3. What advantages has a steamer over a sailing vessel in the carrying of freight?
4. How does the time factor affect the choice of shipping routes?
5. What expenses particularly depend upon the time factor?
6. What are the three chief classes of steamships?
7. What are the chief advantages claimed for steamship lines? What are the chief disadvantages?
8. How much of the ocean tonnage of the seas is carried by lines?
9. What is meant by a tramp steamer?
10. What is the relationship of tramp steamers to regular line services?
11. What kinds of cargoes are usually carried by tramp steamers?
12. Why are the services of a tramp usually sold through brokers?
13. What is the prevailing range of sizes of tramp steamers? How does it compare with that of some of the line steamers?
14. What are the chief methods of effecting economy upon a tramp steamer?

## CHAPTER III

### TON AND TONNAGE—INSPECTION AND REGULATIONS— SHIP'S PAPERS

#### 1. TON AND TONNAGE

##### *(a) Definition of Ton and Tonnage*

At this point the necessity for certain definitions arises. The word "tonnage" has been explained by Emory R. Johnson in several of his published books and reports to Congress as referring to either the size of the vessel or the amount of the ship's cargo. To this, however, must be added the colloquial use of the term, which is frequently used in this treatise; for example, the phrase "tonnage is abundant" means that there are plenty of ships about to sail or offered for charter.

In ocean commerce the word "ton" is used with reference to the ship itself or to the ship's cargo. Ocean freight rates, by weight, are chiefly based on the long ton (2,240 pounds), although our coastwise traffic commonly employs the usual short ton (2,000 pounds). There seems to be a growing tendency to adopt the latter ton in shipping to points nearby in the West Indies, Mexico, and Central America, as well as on the Pacific. The metric ton (2,205 pounds) is being forced into use in some parts of the world by shipping companies of the

continent of Europe, and the measurement ton (40 cubic feet) is commonly employed as the basis for freight charges on light or bulky articles.

(b) *Gross and Net Tonnage*

The ton used in the measurement of ships has no relation either to the weight or the measurement ton and requires explanation. Up to 1854 ships were usually rated at so and so many "tons burden." Old rules (or lack of rules) gave results so unsatisfactory that the British government adopted a scheme which reduced the figures to a uniform basis, albeit the method employed was a purely arbitrary one.

Under present regulations, dating in England from 1854 and in the United States from 1864, the *gross tonnage* of a vessel is found by dividing the cubic measurement of its capacity by 100; that is to say, a ship measures one gross ton for each 100 cubic feet of capacity. The *net tonnage* is the cubical contents of those parts of the ship that are closed in and devoted to the carrying of cargo and passengers, the ton in this case also being the equivalent of 100 cubic feet. The measurement of net tonnage is intended to determine the earning capacity of a ship; that is, its capacity for carrying passengers and cargo. Ordinarily, the net tonnage may be about two-thirds that of the gross tonnage, but in many of the fast trans-Atlantic passenger steamers the elaborate machinery, the exaggerated coal bunkers, and the large space required for housing the crew, stewards, etc., reduce the net tonnage to comparative insignificance.

Elaborate rules are laid down in the navigation laws of the United States for the official measurement of American vessels prior to registration. As pointed out by the Commissioner of Navigation in his reports for 1911 and 1912, however, there is a great variation in the way in which ships are measured; correspondingly there is great variation in their comparative ratings for net tonnage.

Since tonnage tax and many different dues and charges are based on this measurement, as are the tolls of the Suez and Panama canals, it is growing more and more necessary to arrive at some system of approximately uniform rules.<sup>1</sup> Roughly speaking, the maritime world imposes charges on 61 per cent of a ship's gross tonnage, the Suez Canal management on 72 per cent. A former Commissioner of Navigation, writing twenty years ago, declared. "There is really no practical way in any country of accurately finding net tonnage. The term itself is inexact and indefinite, since it is based not on a proportionate allowance of space, as might be done, but in steamers particularly the finding of net tonnage depends upon an arbitrary discount" <sup>2</sup>

<sup>1</sup> The American method of measuring net tonnage is represented as one of the obstacles to the building up of a merchant marine. A shipowner of the Pacific coast gives two examples. "The steamer Bessie Dollar measures according to the British measurement, 2,797 net tons, American net tons, 3,697. The steamer Hazel Dollar according to the British measurement, 2,803 net tons, by American measurement, 3,582 net tons." Captain Robert Dollar in the *Pacific Marine Review* for August, 1913.

<sup>2</sup> W. W. Bates, *The American Marine*. This author gives the following then existing ratios of net to gross tonnage: The French Line 48.81%, Cunard 58.06%, North German Lloyd 68.88%, American sea-going fleet 69.27%.



*(c) Displacement Tonnage*

The *displacement tonnage* of a vessel, a term employed chiefly in the measurement of ships of war, is the vessel's weight in long tons, equivalent to the weight of the water displaced by the ship when fully loaded and floating. Shipbuilders sometimes use this term in determining from the plans and measurements the number of cubic feet of water that the ship will displace at any given draft, calculating the weight of 35 cubic feet of sea water as one ton (2240 pounds).

*(d) Dead-Weight Capacity*

We see much more frequently nowadays, than formerly, the term *dead-weight capacity*. This is the estimate of the number of long tons of cargo which the vessel is capable of carrying when loaded to its maximum depth. Such depth is indicated on all British ships by a line painted on the outside of the ship and known as the Plimsoll line. That no such line is required by American law is one of the criticisms of American maritime practice sometimes made by British authorities. On American vessels a scale of feet is painted on the bow and the ship's papers are supposed to show to what depth the vessel may safely be loaded. Overloading, with consequent possible danger to life and property, is not immediately signaled to the onlooker in the case of American, as in the case of British, ships.

In reply to British criticisms Americans argue that the necessity for adopting the British practice has not yet arisen in our merchant marine, since a relatively small tonnage of American registry is employed in the

foreign trade and our coastwise ships are not likely to be overloaded because of the shallowness off many of our shores and in our harbors. This defense cannot be considered particularly strong or convincing. The British regulation is based on certain free-board rules or tables, and the dead-weight capacity of the ship at any given draft is stated in a scale that is furnished to every shipowner. Questions as to free-board are still moot subjects for discussion at international conferences.

It is sometimes thought that a definite ratio ought to exist between the net tonnage of a ship and that ship's dead-weight cargo-carrying capacity. Obviously this cannot be the case since practically everything depends upon the character of the trade in which the vessel is engaged and the corresponding space required for passengers, crew, and fuel. In the case of a cargo vessel working on the basis usual with such ships as regards speed, number of crew, etc., it may usually be roughly estimated that the cargo-carrying capacity ought to be about equivalent to  $2\frac{1}{2}$  times the net tonnage.

The net tonnage is based on the ship's cargo-carrying capacity per 100 cubic feet, while the cargo is taken on the basis of 40 cubic feet to the ton. Another rule, given by Professor Johnson,<sup>3</sup> reads:

The ratio of net register to gross register tonnage and cargo tonnage of the modern freight vessel loaded with general cargo is as 1 to  $1\frac{1}{2}$  and to  $2\frac{1}{4}$ . The net register is about two-thirds the gross and the cargo tonnage averages about  $2\frac{1}{4}$  times the net register. In the large modern sailing vessel the net register is about seven-eighths of the gross and the cargo tonnage of the loaded vessel will average about  $1\frac{3}{8}$  times the net register.

<sup>3</sup> Emory R. Johnson, *Ocean and Inland Water Transportation*.

It will, of course, be understood that in sailing vessels practically the full capacity of the vessel is available for cargo, no deduction being necessary for propelling machinery.

Professor Johnson in his report to Congress on Panama Traffic and Tolls makes these observations:

In loading vessels heavy articles of comparatively small bulk, such as pig iron, steel rails, grain, etc., are placed in the bottom of the ship's hold to steady the vessel. On top of the heavy cargo, package freight or general merchandise is placed in order to make maximum use of the available cargo space in the vessel.

The larger the amount of measurement cargo the greater the number of "tons" of paying freight that can be carried. A modern freight steamer of the closed-in, shelter-deck type (ship with the space above the upper deck entirely inclosed) can be loaded with measurement cargo of a greater tonnage than its dead-weight capacity. A British ship of 4,640 tons gross register (to cite figures regarding an actual ship) has a dead-weight capacity of 8,500 tons. If suitable commodities can be obtained, this ship can be loaded with 9,500 tons of measurement cargo. On the other hand, a ship of the well-deck type (a vessel upon which the space on the main deck between the bridge house and the poop is not inclosed) may have a dead-weight capacity exceeding the number of tons of measurement cargo it can carry. An actual freight vessel of British registry of the well-deck type is reported to have 5,400 tons gross register, a dead-weight capacity of 8,515 and space for 8,500 tons of measurement cargo.

The ratio of the net tonnage of any particular ship to its gross tonnage and to the number of tons of cargo it can carry will vary with the vessel's type of construction and the rules employed in determining net tonnages, but, taking freight vessels as they run, the net tonnage as determined by British rules is about 61 per cent of the gross. The American rules produce a net tonnage averaging 66 per cent. of the gross, while the Suez Canal rules make the average net tonnage of all vessels using that canal 72 per cent of the gross. Loaded cargo steamers carry on the

average about  $2\frac{1}{4}$  tons of dead-weight freight for each ton net. The ratio of net tonnage, gross tonnage and tons of dead-weight freight is as 1 to  $1\frac{1}{2}$  to  $2\frac{1}{4}$ . For example, a cargo steamer of 6,000 tons gross tonnage will measure about 4,000 tons net tonnage and will ordinarily carry about 9,000 tons of dead weight freight. By combining both weight and measurement cargo in the lading, the ratio of cargo tonnage to net tonnage may be made  $2\frac{3}{4}$  to 1.

In the sailing vessel the ratio of net to gross tonnage is much higher, being about 7 to 8, because none of the ship's space is occupied by propelling engines and coal bunkers. The cargo tonnage of a loaded sailing vessel—number of tons of freight—averages about one and two-thirds times the net tonnage. In other words, the ratio of net tonnage, gross tonnage and cargo tonnage in an up-to-date sailing vessel is about 7 to 8 to 12. A sailing vessel of 2,100 tons net tonnage will measure about 2,400 tons gross and will be capable of carrying about 3,500 tons of dead weight freight.

### *(e) Actual Freight Capacities*

It should be understood that the quoted dead-weight cargo capacity of a steamer is not by any means an accurate index to the actual freight that can be carried by it. Four-fifths of the space in a vessel devoted to cargo would be empty if the ship were loaded to its dead-weight limit with pig iron. On the other hand, a cargo of bulky articles that would fill the cargo space available might not weigh more than one-third as much as the iron. In loading vessels, therefore, certain discretion is called for and is usually exercised.

The formation of numerous pools and conferences in which competing lines of steamships join has done away with a good deal of the attention heretofore bestowed on economical loading. Formerly when a ship had excess

offerings of bulky cargo and but little freight in the way of heavy goods, the owner would make special inducements to shippers of the heavy stuff that was judged necessary as ballast. Such freight was frequently taken at much below regular rates. Now the practice is to ship water ballast rather than to reduce, by a single penny, the standard rates that have been determined upon, perhaps published, by the conference.

The variations in the relative gross, net, and dead-weight capacity-tonnages of modern ocean steamships can perhaps be best illustrated by concrete examples, taking as illustrations some famous passenger boats which are utterly dissimilar, it must be remembered, from purely cargo carriers.

The *Imperator*, the second largest vessel afloat, measures gross 52,116 tons but net only 23,881 tons, while the nominal dead-weight cargo-carrying capacity of the ship is reduced to 12,000 tons. This vessel is devoted exclusively to passenger service, she seeks and can take little if any cargo, as the greater part of the nominal dead-weight capacity is devoted to facilities for the comfort or support of her passengers. The space actually available for cargo will admit only 800 tons, although this might be largely increased by utilizing space at present given over to steerage quarters and provision rooms.

The *Imperator* has accommodations for 2,476 passengers in first-class, second-class, and third-class staterooms and for 1,772 steerage passengers, while a crew numbering 1,332 officers and men is called for in ministering to the wants and caring for the safety of the passengers of the ship when accommodations are filled. To drive the enormous turbine engines of the *Imperator*, which de-

velop 62,000 horse power, large supplies of coal are required, and as the ship carries sufficient fuel for a complete round trip, bunkers holding 8,500 tons are provided.

Another type of vessel is illustrated in the *Minnewaska*, of the Atlantic Transport Line, which carries a comparatively small number of passengers—250 (all of one class), has a speed of about 15 knots per hour, and is of 14,317 gross tons and 8,878 net tons, with a dead-weight cargo-carrying capacity of 15,000 tons plus specially fitted quarters for carrying 800 head of live stock.

The *Mauretania*, rated as the fastest merchant ship in the world, is propelled by turbine engines of 68,000 horse power, which give an average sea speed of over 25 knots per hour. To drive this ship from Liverpool to New York, 6,600 tons of coal are required. Her crew numbers almost 1,000, and she has accommodations for 2,300 passengers. Although rated as having a gross tonnage of 31,550 tons and a net tonnage of 9,145, the cargo-carrying capacity of this ship, nominally 1,500 tons, is actually a negligible quantity, and any cargo accepted is of the most exclusive class of luxuries of little weight or volume but of high value, on which freight rates have little influence.

## 2. INSPECTION AND REGULATION

### *(a) Inspection and Rating of Ships*

All ships, from their inception in the drafting room to their first sailings, are subject to careful inspection. Certain institutions like the famous Lloyds of London, the Bureau Veritas in France, the American Bureau of

Shipping, and several others, not only first pass upon and approve the plans and specifications for a ship as submitted by that ship's builders, but inspectors from these institutions, as well as government inspectors, watch every step in the building of the vessel and test each material that is employed. The value of inspection may be illustrated by the statement that a difference of one-sixteenth of an inch in the thickness of a ship's steel plates may easily make a saving of \$50,000 to the builders, if passed by the inspectors.

When completed and the final inspection of such institutions as those referred to has been made, the vessel is rated by them (in the case of the American Bureau—"A 1 for 20 years," "A 1 for 16 years," and "A 1 for 12 years", in the case of Lloyds—"A 1—100," etc.). It is on the basis of these ratings that marine insurance companies accept and assess risks on hulls. In addition to the rigid inspection just referred to, a further survey is always made by the authorities of the Government whose flag the ship is to fly. This inspection applies not only to the hull but to the boilers, machinery, life boats, and whole equipment, and is required, not only before a ship is permitted to go to sea, but is repeated every year. In the case of foreign vessels, the United States authorities accept certificates of inspection in countries whose laws in this respect approximate our own.

The officers of ships, too, must be examined and licensed. The master, chief mate, second and third mates, engineers, and pilots of all steam vessels, and the masters of sailing vessels of over 700 gross tons, after successfully passing examinations suitable for their respective grades, at the hands of local boards of inspectors, receive licenses good for five years. Heavy penalties are

imposed on any ship employing unlicensed officers of these grades.

### *(b) Registration of Vessels*

Certificates of registration in the merchant marine of a country, after inspection, measurement, etc., have been made and after such other preliminary conditions as may be required by the laws of that country have been complied with, may, in a sense, be likened to citizenship papers. Registration as a vessel of the United States entitles a ship to the protection of this Government and of its officers in any part of the world, to the enjoyment of whatever rights and privileges may have been secured for our ships through treaties or agreements, or to which they are entitled as lawfully recognized merchant ships under international law or usage. Such certificates, given under the seal of the Secretary of Commerce, the Commissioner of Navigation, and a local collector of a port, are, of course, jealously preserved on board ship and in foreign ports surrendered only to the consul who represents the country of the ship's flag. On coastwise voyages, only revenue officers have the right to demand a vessel's certificate. (See Fig. 1 for certificate.)

In the United States we have three terms by which we designate the admission of a vessel to American nationality. Vessels in the foreign trade are "registered"; vessels in the trade on the coast and Great Lakes are "enrolled"; smaller vessels (under 20 tons) are "licensed." In a general way all are referred to as "documented."

### *(c) Local Pilots*

Ships engaged in the foreign trade have to fulfill certain formalities upon entering and leaving port, the chief



In pursuance of chapter one, Title XLVIII, "Regulation of Commerce and Navigation," of the revised statutes of the United States, (inserting here the name, occupation, and place of abode of the person by whom the oath was made), having taken and subscribed the oath required by law, and having sworn that he (or she, and if more than one owner, adding the words, "together with," and the name or names, occupation or occupations, place or places of abode, of the owner or owners, and the part or proportion of such vessel belonging to each owner) is (or are) the only owner (or owners) of the vessel called the (inserting here her name), of (inserting here the port to which she may belong), whereof (inserting here the name of the master), is at present master, and is a citizen of the United States, and that the said vessel was (inserting here when and where built), and (inserting here the name and office, if any, of the person by whom she shall have been surveyed or measured) having certified that the said vessel has (inserting here the number of decks) and (inserting here the number of masts) and that her length is (inserting here the number of feet), her breadth (inserting here the number of feet), her depth (inserting here the number of feet), and that she measures (here inserting the number of tons), that she is (describing here the particular kind of vessel, whether ship, brigantine, scow, schooner, sloop or whatever else, together with her build, and specifying whether she has any or no gallery or head), and the said (naming the owner, or the master, or other person acting in behalf of the owner or owners, by whom the certificate of measurement has been countersigned, as aforesaid) having agreed to the description and measurement above specified, according to law, the said vessel has been duly registered at the port of (naming the port where registered) Given under my hand and seal, at (naming the said port), this (inserting the particular day) day of (naming the month), in the year (specifying the number of the year in words, at length)

#### FIG 1—Certificate of American Register

This specimen is printed to show the exact wording of such a certificate.

of which may be briefly reviewed At almost all ports of the world the employment of a duly licensed local pilot is necessary both on arrival and on departure, and in some narrow channels, when not legally indispensable, it is the invariable practice This precaution is required by insurance policies even though in many cases the master of the vessel himself may be almost as well acquainted with the dangers of the harbors which he enters fre-

quently as can be the professional pilot. This is done to guard against possible disaster in the case of masters who are not familiar with channels, marks, etc. Even though his vessel be in charge of a regular pilot, the master himself, nominally absolved from blame, is in reality held responsible by its owners for disasters that may occur while the ship is under the control and direction of another to whom he has been forced by law to surrender temporarily his own vessel. Even under such circumstances disasters often result in the master's resignation or degradation in rank

Pilotage fees are usually based on the draft of the vessel or its net register tonnage. Pilotage rates of the port of New York, from April 1 to November 1, are:

Vessels Drawing	Rate per foot draft	
	Inward	Outward
6 ft. to 13 ft 6 in ...	\$2 78 per ft.	\$2 02 per ft.
14 ft. to 17 ft. 6 in	3 38 per ft.	2 33 per ft.
18 ft to 20 ft 6 in . . . .	4 13 per ft.	3 08 per ft.
21 ft to 37 ft 6 in .. .	4 88 per ft.	3 56 per ft.

During the winter months \$4 is added to the gross amount of each pilotage.

Rates vary at different ports. For example, Boston pilotage rates (inward) run from \$2.64 for vessels drawing 7 feet up to \$5 for vessels drawing 23 feet or more.

### 3 SHIP'S PAPERS

#### (a) *Bills of Health*

From arrival at a port of the United States until a ship has been taken in charge by an officer of the customs, no

persons, except a pilot, an officer of the customs, a health officer, agents of the vessel, and consuls,<sup>4</sup> are allowed to go on board or to leave the vessel.

Ordinarily the first persons to board an incoming steamer are officers of public health departments. In the United States, officers of the Marine Hospital Service, maintained by the National Government, and officers of quarantine services, established by the State holding jurisdiction over the port of arrival, co-operate to prevent the introduction of contagious or infectious diseases.

One of a ship's most important papers is a *Bill of Health*. No vessel from a foreign port can enter a port of the United States without this document in proper form.<sup>5</sup> Similar regulations are in force in all other countries. A vessel which is clearing from a port in one country and destined to a port in another country must obtain such a document from the consul representing the country of his destination. It states that the port from which the ship clears is free from contagious disease or if one case is known to exist, that fact is endorsed on the Bill of Health. To all of these facts, the consul of the country to which the ship is bound certifies. On arriving at port of destination, the captain must produce this Bill of Health for the inspection of the quarantine officers. In addition to stamping it these officials usually make a more or less thorough examination of the passengers and crew on board the ship, to satisfy themselves that all are free from diseases likely to endanger the public health of the port. In the case of passengers in the first and second cabins this examination is almost always perfunctory when performed at all, except in the case of ships arriving from tropical ports, which are always under suspicion.

<sup>4</sup> Passenger Act of 1882, § 9

<sup>5</sup> Act of Feb 15, 1893.

# The United States of America

## BILL OF HEALTH

CUSTOMHOUSE, PORT OF NEW YORK

*To all to whom these Presents shall come:*

Whereas, the \_\_\_\_\_, of  
\_\_\_\_\_, of which \_\_\_\_\_ is Master,  
is now ready to depart from the Port of New York for \_\_\_\_\_  
and other places beyond the sea, with \_\_\_\_\_ persons,  
including the Master of the said vessel

We, therefore, by these presents, do make known and Certify that no plague nor any  
other dangerous or contagious disease in an epidemic form at present exists in the said Port

GIVEN under our hands and seals of office, this \_\_\_\_\_  
day of \_\_\_\_\_, 191\_\_\_\_, and in the \_\_\_\_\_  
year of the Independence of the United States of America

Deputy Collector of Customs,

Deputy Naval Officer

11-4778

In the case of steerage passengers and crew, inspection is always thorough and serious. The yellow flag, flown from the foremast, is the outward evidence that a ship has not passed the inspection of health officers and is familiar to all travelers on approaching a quarantine station. It is lowered only when the boarding officers grant the vessel *pratique*.

### (b) *Manifests and Other Documents*

Following the visit of the quarantine officers the captain receives the call of officials in the custom-house service. To these officers the captain must show three different kinds of documents.

- 1 A List of All Passengers<sup>6</sup>
- 2 A List of Stores.<sup>7</sup>
- 3 A Manifest<sup>8</sup>

The *List of All Passengers* is useful in keeping records of the migration and travel of people among the several nations of the earth. It facilitates accountability, especially in the case of criminal, diseased, and other undesirable passengers.

The *List of Stores* enumerates the provisions, liquors, etc., still remaining on board at the end of a voyage. This document helps to prevent confusion between stores and actual cargoes.

The most important document is the *Manifest*, which

<sup>6</sup> In the United States with numerous details. See Amendment to Passenger Act, Feb 9, 1905.

<sup>7</sup> Revised Statutes, 2795.

<sup>8</sup> "A Manifest is a declaration of the entire cargo, a bill of lading is a declaration of a specific part of the cargo. A Manifest is essentially a summary of all the bills of lading." *N Y & Cuba Mail S S Co v United States*, 125 Fed Rep p 820 (1908). For United States regulations, see Revised Statutes, 2806 *et seq*.

enumerates item by item the different consignments of merchandise, etc., which make up the cargo of the ship. In the United States a preliminary copy of the Manifest is delivered to the custom-house officials who board the ship on entering port; final attested copies must be mailed immediately to the Treasury Department and delivered to the chief officer of the customs authorities (the Collector of the Port) This must be done as soon as the ship has docked and before unloading is begun.

The Manifest is required by all countries both on sailing from port and on arriving at port of destination, chiefly for statistical purposes. It is made up by the ship's purser or other official, from the individual bills of lading issued by the ship, its master, or its owner or agent, to the various shippers who are forwarding goods by it. In the case of a bulk-freight carrier there may be but a single line; on the other hand, in the case of a miscellaneous cargo, as many as 18,000 different items have been listed in a single ship's Manifest

Before a vessel can sail on her voyage to a foreign port, the master must file with the Collector of the Port (or similar official in other countries) a Manifest of all the cargo on board, specifying the articles shipped, their values, ports of destination, etc., similar in character to the inward Manifest; in fact, the outward Manifest at port of departure virtually becomes the inward Manifest at port of destination. With the filing of an attested copy of the outward Manifest the Collector of the Port grants a *Clearance* for the vessel and her cargo. Failure to obtain such a Clearance is punished by heavy fines\* besides involving serious trouble at port of destination.

*(c) Log Book*

Every master of a ship is obliged to keep a record of each voyage in what is known as the ship's *Log Book*. In the United States and in some other countries an approved form of such Log is suggested to mariners, although not insisted upon by law. In this record, a sort of official diary, the master enters the daily observations, calculation for the day's run, statements as to the weather prevailing, such unusual occurrences as the prevalence of icebergs in certain latitudes, an encounter with a derelict, the rescue of the crew of a ship in distress, and above all full details of a collision. In addition, he must note births, deaths, marriages, cases of sickness or injury that occur on board and troubles that occur in the ship's crew, offenses committed, punishment inflicted, etc.<sup>10</sup> At the end of each voyage the Log, signed by the captain and witnessed from among his officers or crew, is open to the inspection of all parties interested.

*(d) Ship's Articles*

One of the most important of the papers which the master of a ship must produce is commonly known as the *Ship's Articles*. This is the agreement between master and seamen made, in shipping, for each voyage. The United States (as do most countries) safeguards the lives, health, well-being, and property of men carried to sea as members of a ship's crew. To this end the agreement signed by master and men, acknowledged and certified before a shipping commissioner, carefully specifies

<sup>10</sup> Revised Statutes, 4200.

# Index to Entries in Official Log-Book.

ENTRIES	Reference to any page in which the various entries appear
1. Conviction of any Member of Crew and Punishment.....	
2. Offense committed by Member of Crew for which it is intended to prosecute or to enforce a Forfeiture, together with such statement concerning the reading over such entry, and concerning the reply (if any) made to the charge as hereinbefore required.....	
3. Offense for which Punishment has been inflicted on board, and the punishment inflicted.....	
4. Statement of the conduct, character, and qualifications of each Member of the Crew.....	
5. Illness or injury that has happened to any Member of Crew, the nature thereof, and the medical treatment adopted (if any).....	
6. Death that has happened on board, and cause thereof.....	
7. Birth that has happened on board, the sex of the infant, and the name of the parents.....	
8. Marriage that has taken place on board—names and ages of the parties.....	
9. Name of Seaman or Apprentice who has ceased to be a Member of the Crew, otherwise than by death, with the place, time, manner, and cause thereof.....	
10. Wages due to any Seaman or Apprentice who has died during the voyage, and the gross amount of all deductions to be made therefrom.....	
11. Deductions of Wages.....	
12. Sale of the Effects of any Seaman or Apprentice who has died during the voyage, including a statement of each article sold and the sum received for it.....	



the nature and character of the voyage and engagement, wages, provisions to be furnished, regulations as to conduct, etc. Men must be engaged in the presence of a shipping commissioner or, in foreign countries, in the presence of a consul, and the master must exhibit a certified copy of the list of the crew to the first boarding officer at the first United States port at which the ship arrives on its return. He must also produce for inspection and identification the persons named on that list. The master and owner of a ship are severally liable to a penalty of \$400 for each failure to produce any person on the certified copy of the crew-list, unless there is exhibited satisfactory proof of death, desertion, or discharge in a foreign country with the written and sealed permission of a consul.<sup>11</sup>

### *(e) Passports and Other Papers*

For protection in case of wars, ships sailing from the United States to foreign countries are, at the request of the masters, supplied with a *Passport*, *Sea-Letter*, or "*Mediterranean Passport*," in form prescribed by the Secretary of State <sup>12</sup> On arriving at a foreign port the master must deposit these documents and the ship's register with his consul. The latter usually certifies such deposit to the competent local customs authorities. The master of an American ship, arriving at a port of the United States, deposits documents directly with the Collector of the Port, but the master of a British ship deposits them with the British consul, a Norwegian with the Norwegian consul, and so on

<sup>11</sup> Revised Statutes, 4576

<sup>12</sup> Revised Statutes, 4306

# The United States of America

Department of Commerce and Marine



BUREAU OF NAVIGATION

## CLEARANCE OF VESSEL TO A FOREIGN PORT

(Section 4901, Revised Statutes)

DISTRICT OF THE CITY OF NEW YORK  
PORT OF NEW YORK

These are to certify all whom it doth concern :

THAT \_\_\_\_\_  
Master or Commander of the \_\_\_\_\_  
burden \_\_\_\_\_ Tons, or thereabouts, mounted with \_\_\_\_\_  
Guns, navigated with \_\_\_\_\_ Men,  
\_\_\_\_\_ built and bound for \_\_\_\_\_  
having on board \_\_\_\_\_

## MERCHANDISE AND STORES,

hath here entered and cleared his said vessel, according to law.

GIVEN under our hands and seals, at the Custom-House of the Port of New York, this \_\_\_\_\_  
day of \_\_\_\_\_, one thousand nine hundred and \_\_\_\_\_  
and in the \_\_\_\_\_ year of the Independence of the United States of America,

Other documents in charge of the master of a ship may include a copy of the *Charter Party* and the *Clearance* granted by the officers of the customs at her departure from the port whence she has come. This, too, must be filed with the Collector of the Port, as also, in some countries, the ship's accounts and her freight bills.

Two other matters connected with the commercial aspects of the navigation of a ship deserve mention. Whenever a captain has to jettison (throw overboard) a part of his cargo to lighten ship, or when ship or cargo suffers any damage by the sea or storms, sometimes when damage is only suspected, or when the ship has been unduly delayed, he must enter a full account in his Log Book. In addition, the captain, within 24 hours of his arrival at the first port he touches, "notes" his *Protest* before his consul, relating the circumstances of the disaster or the danger, attested by two or more members of his crew. This may be of great importance when making claim on the insurance companies, it sometimes helps to settle disputes between shippers and consignees. If necessary, a more complete statement, giving all details, is drawn up after the expiration of 24 hours—a process known as "extending" the Protest.

#### (f) *Bottomry Bond*

If the captain of a vessel is obliged, through accident or stress of weather, to put into a port to repair damages, he must sometimes raise a large amount of money. He may be able to sell a draft on his owners, but this is not always possible. Since the owner has a lien on the cargo for the freight that is due, the captain may, if he choose, sell a part of the cargo or he may pledge the

ship and cargo, executing what is known as a *Bottomry Bond*. This is really a mortgage on the bottom of the ship (the hull, taken to represent the whole ship) and sometimes also on the freight money that may be due and on the cargo. The money borrowed in such a transaction is paid back when the ship reaches her destination; but if the vessel is lost before the loan is repaid the lender loses his money. Because of the risks incurred, high premiums usually have to be paid for such loans, especially since a second bond may be placed on the vessel in case of further disasters, and the second will take precedence over the first in repayment. The law in this respect is the reverse of that which governs mortgages on real property. Cargo is infrequently sold, and only as a last resort. All losses incurred in such circumstances constitute a claim on insurance companies, coming under "general average."

### TEST QUESTIONS

- 1 How many pounds are there in the long ton, the short ton, and the metric ton, respectively?
- 2 How is the gross tonnage of a vessel determined?
- 3 What is meant by the net tonnage of a vessel?
- 4 What per cent of the gross tonnage is the net tonnage of a vessel?
- 5 Why is it important to have a standardized system of measuring the capacity of a ship?
- 6 What is meant by the displacement tonnage?
- 7 What is meant by dead-weight capacity?
- 8 What is a Plimsoll line?
- 9 Why can no definite ratio be established between the net tonnage of a ship and its dead-weight capacity?
- 10 Why does a shipowner ordinarily not care to load his entire vessel with iron rails?
- 11 Explain what is meant by "inspection" and "rate" of ships.
- 12 What is meant by the registration of a vessel?

13 By what three names are vessels admitted to American nationality?

14 What is meant by pilotage fees? Why are they levied?

15 What is a bill of health? A *pratique*?

16 For what purpose is a manifest issued?

17 What is meant by the clearance of a vessel?

18 Describe the nature of a log-book

19 Explain the nature of "ship's articles"

20 What is meant by a protest? For what purpose is it made?

21. Explain a bottomry bond.

## CHAPTER IV

### SEAPORTS AND TERMINAL FACILITIES

#### 1. NATIONAL HARBOR IMPROVEMENTS

River and harbor bills in Congress—too often sarcastically referred to as “pork barrel bills”—are commonly objects of popular suspicion. Unfortunately there is usually some example to be cited in support of the popular view that their provisions are sops thrown by politicians to different sections of the country without much, if any, regard to the real necessity for, or actual value of, the proposed improvements. Nevertheless, improvements of immeasurable value to the whole country have been carried out with the nation's money thus appropriated.

The completion of the Ambrose Channel, the great entrance to New York Harbor, affords a magnificent sea-way 40 feet deep and 2,000 feet wide, and shortens the approach to New York docks, as well as makes safe entrance for the enormous new ships that are now being built. The harbor facilities of Boston, Baltimore, and Philadelphia are to be greatly improved—about \$10,000,000 being expended at Philadelphia, for example, in giving that city a 35-foot channel. Hampton Roads, Boston, and Baltimore are to have harbor channels of similar depth. Work on the Pacific coast includes the

canalization of the Columbia River, which will make Lewiston, Idaho, a seaport. This will obviate the necessity of a railway for the transshipment of river freight to that point

These are only hints at the great work that has been and is today being carried on by the National Government in the improvement of American ports. Yet, while vast sums of money have been expended in the improvement of channels, it is doubtful if sufficient attention has hitherto been paid to the improvement of terminal facilities. Co-ordination of railway or interior waterway with ocean steamship terminals is obviously at least as important as the development of harbors and channels.

Control of the terminal facilities either of railroads or of water lines means practical control of the routes themselves. In continental Europe public ownership of docks is the general rule, while in Great Britain a form of quasi-public control, called a "harbor trust," prevails. In this country, however, private ownership largely vested in railroads and industrial organizations which are affiliated with the railroads is the rule. This failure to combine the policy of river and harbor improvements with a comprehensive plan for the construction and administration of port terminals has operated to neutralize in considerable degree the value of such improvements.

## 2. CONTROL OF TERMINALS

For the past few years, states, municipalities, and the Federal Government itself have been devoting a good deal of money and the study of trained experts to the

many problems involved in the adequate development of ports and terminals, in order to meet the needs of our enormous and growing commerce. Municipalities, particularly, endeavor to meet the competition of rival ports. The space available for water terminals at any port is obviously much more limited than that for railway terminals. The Federal Government exercises a certain control over water terminals, establishing a pierhead line beyond which pile structures may not be built and a bulkhead line beyond which solid filling in may not be done. Legislation by Congress controls, to some extent, the building of wharves and piers which are subject to the public right of navigation and are further regulated by the states and by local authorities.

The question of public control and ownership of facilities and of charges for their use has grown to be of paramount importance to port officials, owing to extensive, sometimes dominating, ownership of water terminals by railways, whose interests may rival those of the water lines. This influence is believed to have seriously retarded development in the case of more than one port.

At most ports of the United States municipal authorities are seeking to regain from the railroads the control of waterfronts, piers, etc., once thoughtlessly given away. The interdependence of rail systems and water borne traffic is clear. Terminals where rail and water systems connect are affected with a peculiar public interest which demands, for itself, such facilities for the storing and for the expeditious and economical handling of freight as will attract increased traffic.

A public port is a complex organism consisting of something that is natural, as a convenient access from the sea, a safe station against winds and a shore upon which vessels may well unload;



something that is artificial, as quays, wharves and warehouses, and something that is civil, as privileges and regulations given to it by the government.<sup>1</sup>

In a letter recently addressed to the author, Director Norris of the Department of Wharves, Docks, and Ferries of Philadelphia, reflects on present conditions and future prospects in the following language.

Undoubtedly the large improvements now projected or under way in many of our ports are the material evidence of an "efficiency competition" that is establishing a higher port standard than has heretofore been attained in this country. Each port is attempting to give to that commerce which it can attract not only the best facilities to be had in channel, piers, warehouses and terminal convenience, but also to provide them at the lowest possible cost. Naturally, this striving, whose last word is economy, has centered attention upon transshipment costs on the piers, and this question ultimately assumes a greater importance than the physical problems encountered in port development and administration, for, after all, physical improvements are designed solely to procure trade, and trade cannot be had if an antiquated and expensive terminal system imposes an unjust tax upon the port's commerce.

### 3. TERMINAL FACILITIES

Terminal facilities of ports, varying with the size and character of the harbor and the nature and extent of its commerce, include docks, wharves, piers, switching tracks, belt railroads, warehouses, elevators, and various other arrangements for transferring and storing freight and for housing passengers.

At most ports one of the first requirements is to provide a means by which vessels can have direct access to the land. This can often be most easily provided by a wharf or pier extending

<sup>1</sup> Commissioner of Corporations, *Transportation by Water in the United States*

to deep water At important ports it frequently becomes more economical to combine the construction of wharves and piers with the dredging of slips or docks. The term "dock" has been judicially defined in this country as a place for vessels, whether excavated exclusively from land, or surrounded by wharves, or as the space between two wharves

A "wharf" may be defined as a structure or space artificially prepared on navigable water for loading or unloading vessels, where they may lie in safety.

Where a river is so narrow that piers long enough to accommodate a vessel cannot be built into the stream, vessels must lie in a single row lengthwise along the shore.<sup>2</sup>

Ocean steamship piers of the best and most modern description are from 800 to 1,200 feet long and from 250 to 400 feet wide. They are usually covered by one- or two-story "sheds" for the protection of freight and passengers Ocean vessels are moored upon both sides of piers on which, or along the margins of which, railway tracks are sometimes laid. Generally, large vessels cannot move from wharf to wharf after freight; their time is too valuable; freight must be brought to them. The earning capacity of vessels is often determined by the number of trips that they can make within a given time. Rapid loading and unloading are therefore necessary to secure the minimum of idle time and the maximum earning efficiency.

At some ports, and in the case of some kinds of commodities extensive and efficient use is made of freight handling machinery As a general rule, however, water terminals in the United States, even those of the first importance, are surprisingly backward in mechanical equipment, particularly for the handling of package business.<sup>3</sup>

<sup>2</sup> Report of the Commissioner of Corporations, *Water Terminals* It should be noted that "dock" is used in other countries in quite another and different sense

<sup>3</sup> Report of the Commissioner of Corporations The third volume of this valuable publication deals with *Water Terminals*

It is acknowledged that with hand methods it is impossible to convey goods to and from a vessel as rapidly as they can be stowed in the hold or stored on shore, and that mechanical appliances for loading and unloading freight are very important factors in the economy of terminal facilities. It is also necessary that freight be classified at wharves and stored in warehouses at low cost. In the absence of convenient storage it is impossible to move goods to and from the wharf with carts and drays as rapidly as they can be moved between wharf and vessel.

There are two important problems which our ports face today: (1) To provide more piers to accommodate the increased volume of commerce passing through each port and (2) to make full use of every pier in order to reduce the present relatively excessive pier costs. These demands, in turn, have created the necessity for effective mechanical devices and installations which will not only distribute freight over a pier more quickly, more advantageously, and at a less expense than is now possible by "man and truck" methods, but which will also, where possible, transport cargoes directly from railway train to vessel's hold or vice versa.

After being discharged from a vessel, freight must be transferred to another vessel, to some other wharf in a distant part of the harbor, to a railway terminal, to the warehouse of consignee, or to the custom house. It is taken from one part of the harbor to another by lighters, by wagons, or by a belt railroad. To minimize delays, cost, and rehandling involved in lighterage or trucking, some municipal authorities are seeking to extend public control of terminals, the better and more impartially to co-ordinate rail and water facilities. They

are devoting especial attention to the building or extension of belt and spur railway lines which shall connect the piers of ocean steamers with railway, freight, and other warehouses, and even with large industrial and manufacturing plants.

*(a) Freight-Handling Machinery*

The report of the Commissioner of Corporations, already alluded to, which discusses the mechanical handling of freight at some length, can hardly be improved. Space permits only some essential extracts.

Freight-handling machinery may be divided into two general classes: (1) General types for handling miscellaneous cargoes and (2) special types for the handling of particular commodities moved in bulk.

These types may be divided into two headings: (a) ship machinery and (b) land machinery.

(a) Ship machinery commonly consists of a number of small independent donkey engines each operating a windlass and hoisting gear.

(b) As ship machinery can swing the freight only a few feet from the ship's side, it is better, if practicable, to use land machinery, which can be built on a larger scale and especially with a wider reach landward. Most numerous and useful are movable cranes, preferably on tracks along the wharf. A long arm reaches over the ship, takes its cargo, and swings it from the ship to a railway car or a wagon or into the freight shed on the wharf. A small steam derrick on wheels, moving from place to place like a wagon, is sometimes used to pick up cotton bales or heavy boxes and heap them on drays.

Package freight is usually carried to the vessel by hand trucks, sometimes by modern appliances (as a moving platform conveyor on which packages may be delivered or hand trucks wheeled); it is slid into the vessel by sloping gangways or loaded by power hoists. The handling of package freight is almost of necessity a more expensive operation than the handling of bulk cargo.

Machinery can be much better utilized in the handling of coarse bulk articles like coal, ore, and grain. To this end special types of machinery have been developed for loading and unloading these commodities. Where the articles handled are uniform in character and in very large quantities, special cars, vessels, wharves, and warehouses are often built. Ores are admirably adapted to mechanical handling, as rough usage and water do not injure them. Probably no other traffic in the world is handled with as perfect mechanical devices as those used in the iron ore traffic on the Great Lakes. The various iron ranges are connected by rail with the ore-shipping ports. The ore is scooped up at the mines by steam shovels, which deposit it in cars. The trains run out upon high piers, extending into the lake a distance of from 1,000 to 2,300 feet and from 50 to 75 feet above the water, enabling the largest of ore-carrying vessels to lie under them. Movable chutes are attached, reaching to the hold of the vessel. Several piers have a storage capacity by pockets, making it possible to store from 20,000 to over 100,000 tons of ore at each pier, pending the arrival of a ship. It is not unusual to put over 10,000 tons into a ship in one and one-half hours.

The final destination of the most of the ore shipped from the Superior region is Pittsburgh and neighboring

cities where the blast furnaces are located. This necessitates transshipment at Lake Erie ports and the greatest of expedition to prevent undue detention of the vessels. The vessels are run under huge unloading machines, whose steel arms are thrust into the hatches. No shovelers are used except to clean up the fragments of a cargo. It is not unusual for vessels having a capacity of more than 10,000 tons of ore to be unloaded in less than five hours. At one time, 10,635 tons were unloaded and transhipped in cars in less than three hours' time. Until about 1890 this unloading was done by hand, and the price paid for this service was 12 to 13 cents per ton. Now the charge of unloading by machinery is 20 cents per ton, but a steamer can be unloaded in as many hours as it formerly took days.

In the principal types of machinery used in transshipping coal to vessels, the coal cars are run on to the dock close to the side of the ship and there clamped to the track on a movable platform. This platform and the car are then brought as close to the vessel as is possible and tilted bodily so as to deliver the coal with the minimum of fall, either into movable loading buckets or inclined chutes, by which it is loaded into the vessel.

The facilities for loading vessels with fuel coal (bunker coal) for their own consumption have kept pace with those for loading cargo coal. By means of the fueling lighter, ships now take on fuel for the trip up the lakes at the same time they unload their down-lake cargoes. This method is used, to a limited extent, at seaports also.

At United States ports, bulk cargoes of grain have been handled with remarkable celerity and efficiency for many years. The employment of the usual grain-elevator machinery was long ago supplemented by pneumatic tubes,

which sweep the great holds of grain-carrying vessels clean, leaving hardly a single kernel as evidence of the cargo that once filled the vessel. The grain-elevator system, as devised and perfected in this country, has been extended to all grain-producing countries of the world. All have followed the American practice in building, not only storage elevators, but also floating elevators for the quick transference of barge cargoes to steamship holds. Something like fifty such floating elevators are in use in New York harbor, although this particular harbor is no longer as important a factor in the American grain-shipping business as it used to be.

A floating elevator is not a storage warehouse, but is simply a piece of transshipping machinery consisting essentially of a tower built on a hull. It takes its position between the steamship to be loaded and the barge or canal boat with its load of grain. A "leg" is dropped into the canal boat, the elevating machinery put into motion, and the grain transferred through delivery spouts on the opposite side of the floating elevator into the hold of the ship, with a minimum of labor, expense, and time.

Some Florida ports have, within the last three years, developed an important export trade in phosphate, and have installed belt transmission equipment more up to date than will be found anywhere else on the coast of the United States.

#### 4. PRINCIPAL AMERICAN SEAPORTS

Having dwelt at some length on harbors, ports, and terminal facilities in general, it remains to consider how certain representative seaports of the United States have met the problems involved. Beginning at the north-

eastern, that is, the upper right-hand corner of the map of the United States, following the coast line around to the Mexican border, jumping over to the Pacific coast, and traveling north to the Canadian border, a total coast line of over 5,700 miles, we find the following seaports used to greater or less extent as terminals of ocean steamship lines

Portland, Maine	Pensacola, Fla
Boston, Mass.	Mobile, Ala
Providence, R. I	Gulfport, Miss
New York, N Y	New Orleans, La
Philadelphia, Pa	Port Arthur, Tex
Baltimore, Md. <sup>1</sup>	Galveston, Tex
Norfolk and Newport News, Va	Texas City, Tex
Wilmington, N C	San Diego, Calif
Charleston, S C	Los Angeles, Calif.
Savannah, Ga	San Francisco, Calif
Brunswick, Ga	Oakland, Calif.
Fernandina, Fla	Portland, Ore
Jacksonville, Fla	Tacoma, Wash
Tampa, Fla.	Seattle, Wash
Key West, Fla	

In addition to the foregoing, there are numerous minor ports that are "ports of entry"<sup>4</sup> and are occasionally visited by steamships on special errands, but even among the larger ports included in the list given there are some to which no special attention need be given in a general review such as this

Statistics compiled by the Bureau of Foreign and Domestic Commerce for the fiscal year ending June 30, 1913, point to a slight decline in the share of our Atlantic ports in the distribution of the nation's foreign commerce. Pacific ports show little change in their per-

<sup>4</sup> A port of entry is one where there is a custom house for the entry of goods. Neither in our own nor in any other country is a ship arriving from a foreign port permitted to land cargo at points on the coast, even towns of importance or natural harbors, that have not been officially designated as ports of entry.



centage of the total trade, and the loss of the Atlantic ports seems to have been diverted to the Gulf and Northern border ports

The gain in exports through the Gulf ports occurs in trade with Europe, South America, and the West Indies. Cotton, lumber, and breadstuffs have passed more largely through the Gulf ports to European markets, and there has also been a distinct increase in the movement of manufactures from these ports to Latin America. As for imports, about one-third of those through the Gulf ports came from Brazil, consisting chiefly of coffee; about one-fourth from Cuba, chiefly tobacco; the remainder from Europe, Mexico, Central America, and the West Indies. Both Pacific and Atlantic ports are more distinctly cosmopolitan in their trade.

About one-half of our exports from Pacific Coast ports goes to the Orient, the remainder being distributed to Canada, Europe, and Latin America, in the order named. Two-thirds of the imports of the Pacific ports come from the Orient. The trade of the Atlantic ports is with all the world—with Europe, South America, Africa, and Oceania, and even about two-thirds of the total trade of the United States with the Orient still passes through them.

### *(a) The Port of New York*

According to figures published by the *Nation's Business*, the organ of the Chamber of Commerce of the United States, New York has grown to be the world's greatest port as well as by far the most important in the United States. Unfortunately the latest available statistics regarding the commerce of the world compel

in some cases a comparison between the year 1911 and 1912 and are therefore unsatisfactory. However, in 1912, New York had a greater commerce than London. Below are given details relative to the total commerce, or the sum of exports and imports, at the ten greatest ports of the world

1 New York	. .	1912	\$1,793,690,123
2 London	. .	1912	1,791,857,641
3. Hamburg	.	1911	1,674,187,176
4. Liverpool	.	1911	1,637,280,476
5. Antwerp		1911	1,121,654,799
6 Marseilles		1911	678,431,300
7. Havre . .	. .	1911	581,096,600
8. Bremen . .	. .	1911	501,146,540
9. Buenos Aires . .	..	1912	479,536,241
10 Calcutta ..	... .	1911	410,128,830

New York's Percentage of the Nation's Merchandise Exports and Imports

		Exports	Imports
1862	. . . .	72 per cent	68 per cent
1872	. .	58 per cent	66 per cent
1882	... ..	48 per cent	68 per cent
1892	. . . .	40 per cent	64 per cent
1902	. . . . .	36 per cent	61 per cent
1912	... ..	37 per cent	52 per cent
1913	... ..	37 per cent	57 per cent

According to statistics given out by the Department of Commerce, New York has collected, for the last twenty years, an average of 65 per cent of the nation's customs.

The Commissioner of Corporations says:

As a terminal organism its complexity and diversity make it a most interesting study. It is a terminus, not only of the important trunk railroads and of many of the leading ocean steamship lines, but of a large number of coastwise lines and furthermore of the Erie Canal. The congestion of business is further complicated by an enormous volume of local passenger traffic. The most important sections of the harbor are the two sides of

Manhattan Island (the North, or Hudson River, and the East River), the Long Island (especially the Brooklyn) waterfront, and the Jersey City waterfront, which although in another State is commercially an integral part of the harbor. The harbor has a total waterfront, including 30 miles of the New Jersey shore from Perth Amboy to Fort Lee, of about 475 miles, of which 125 miles are available for ocean steamships.

Wharves and piers extend along both the Manhattan and New Jersey banks of the North (Hudson) River, on both sides of the East and Harlem rivers, around the shores of the Upper Bay, at various points at the eastern end of Long Island Sound, and along the channels between Staten Island and the New Jersey mainland.

The congestion of traffic at present is extreme, especially on Manhattan Island. Co-ordination of rail and water carriers is very defective. There is practically no belt railroad and very little rail connection, between the water terminals and local industries. The present system necessitates a very large amount of rather expensive intra-harbor transfer and rehandling by lighterage and drayage. Most of the railroads reaching New York harbor have some sort of co-ordination between their rail terminals on the New Jersey shore and the piers on Manhattan Island and in Brooklyn.

The absence of railroad terminals on the most active portion of the New York waterfront has developed the necessity for an extensive lighterage system which is one of the most important factors in the New York terminal situation. The lighter, for general use, is a scow-shaped vessel of from 300 to 800 tons capacity, equipped with a mast and a boom. For the most part the cargo is carried on the deck. For some package freight, covered barges of from 300 to 500 tons capacity are used. The volume of lighterage business is enor-

mous. Information collected a few years ago reported about 10,500 crafts (employing about 60,000 men) performing lighterage service in the harbor. The railroads alone, exclusive of their ferry boats, have a fleet of about 1,300 harbor vessels. Even in the case of the New York Central, which enters Manhattan Island directly by land, three-quarters of its freight is moved in barges at New York.

Car floats are used extensively to take rows of loaded freight cars from the railroad direct to the warehouse or the steamship. There are a number of car floats in the harbor capable of carrying twenty-three cars, each of 100,000 pounds capacity.

The lack of adequate rail-water co-ordination has resulted in an extraordinary amount of drayage. Practically all shipments in small lots arriving at New York harbor by rail from interior points, or by steamer from coastwise places, are transferred by drays, whether to warehouse of consignee or to wharf of outgoing ocean steamship. Floats carry the freight cars from the various railroad terminals (separated from Manhattan Island by the rivers) to piers in New York City which are controlled by the roads; there the freight is unloaded into crowded freight houses, whence it is wheeled on hand trucks to the waiting drays. Outgoing rail shipments from Manhattan Island are brought to the railroad piers by drays and thence shipped in similar fashion.<sup>5</sup>

<sup>5</sup> Although the Pennsylvania, the New York Central, and the New York, New Haven & Hartford systems have their passenger terminals in New York City proper, their freight terminals have to be located in less crowded and less expensive districts. A very limited part of the New York Central's freight is handled by a special line on Manhattan Island.

Perhaps the highest terminal development has been reached in the Bush Terminal, on the Brooklyn waterfront. This is controlled by an important private dock company holding 29 blocks in South Brooklyn with a frontage of 3,120 feet, six piers, 115 warehouses, a terminal railroad with large car yards, spur tracks on and about the docks and in the warehouses sufficient to accommodate 1,200 cars, and a number of car floats. It has excellent mechanical transshipping facilities and its entire system of docks, warehouses, and equipment is well co-ordinated with the trunk-line railroads. Its terminal railroad connects with the Brooklyn terminals of about eight or ten railroads. Most of its wharves are leased to ocean steamship lines. The city is at the present time completing, adjacent to the Bush Terminal, a series of large docks of similarly modern and improved character, and in November, 1913, work began on several 1,200-foot piers on the Hudson River front of Manhattan Island. A new private company is ready to proceed with the construction of a great terminal on Staten Island.

Some of the railroad wharves have grain elevators at their terminals on the New Jersey shore. It is a remarkable fact, however, that grain is not loaded in vessels at these elevators. All the grain carried by vessels from New York goes in parcel, that is, less-than-cargo lots. Inland freight rates on export grain are said to favor Philadelphia, Baltimore, and other eastern cities as against New York, and for this reason have diverted the full-cargo business from New York City to these other ports.

The lack of cargo grain business and the practice of ocean steamships not leaving their docks to take on cargo have contributed toward the development of the

service of transferring grain from railroad floats or canal boats to vessels by floating elevators as already described.

As at other American ports, the Dock Commissioner of the City of New York has, for several years, been planning important improvements. In addition to intricate and elaborate schemes that have been proposed and are still under consideration, many of the most important of the old piers are being extended and modernized, and new arrangements permitting of easier access to piers on the East River are under way. The War Department has recommended the expenditure of over \$15,000,000 in New York Harbor. This will make the Harlem River and the East River available for shipping hitherto barred from them. The city's policy tends more and more toward acquiring municipal ownership and control of its port facilities. Pier rents are high; the principal lines of ocean steamships pay annually from \$20,000 to \$65,000 per pier, usually on long-term leases. This considerably modifies municipal control. The natural advantages of the harbor and of the city, as the metropolis and the focal point of so many transportation lines, both rail and water, will almost certainly give the port perpetual pre-eminence. It is more than likely, however, that in the relatively near future cheaper locations for piers and wharves will be sought, by all except the highest class of express passenger ships, in outlying portions of the bay or other waters near by.

Ligherage charges in New York Harbor apply to through freight from or to coastwise and foreign vessels, handled largely on through rates, which in many cases include the ligherage charge within specified limits

The terminal railways always provide that "the term 'lighterage free' should be fully understood to mean that carload freight will be lightered free to any public pier or landing within lighterage limits." For this service the terminal railroads at New York are allowed 3 cents per 100 pounds by connecting carriers. This is 1.8 cents per bushel on wheat, about the same as the lake rate from Duluth to Buffalo and the exact amount of the differential existing between the all-rail rates from Chicago to New York and Baltimore, respectively. Export freight in carload lots is entitled to free lighterage in the port of New York within carefully defined limits, but these lighterage limits embrace practically the whole range of the railroad terminals and the piers at which ocean steamships usually load.

There are exceptions as to the kind of carload freight that is granted free lighterage. From New England points the exceptions are bulk freight and any article over three tons in weight, cotton waste, loose hides, lumber, macaroni, machinery, molasses in wood, and cheese. Local lighterage rates on these excepted articles from New England points, other than bulk freight, lumber, and heavy pieces, vary from 4 to 8 cents per 100 pounds, minimum charge \$12.

The free lighterage clause applying to export freight shipped in carload lots applies even when all goods in a given car are not intended for the same consignee, destination, or even the same steamship out of New York. The regulations are in substance as follows:

On carload eastbound "Lighterage Free" freight (except lumber) three free export lighterage deliveries or one free domestic lighterage delivery will be made from any one car; any additional lighterage deliveries from the same car will be subject to

a charge of 3 cents per 100 pounds with a minimum of \$6 for each lighterage delivery, except that any remainder of freight from the same car may be delivered in one lot, at one time, at any one regular station of the railroad company within the "free lighterage" limits, subject to a charge of \$1. The above charges will be in addition to the freight charges.

When more than one lighterage delivery from any one car of lumber is made, the charge for each lighterage delivery, after one free delivery, shall be 3 cents per 100 pounds with a minimum of \$6 in addition to the freight charges

Less-than-carload shipments of export freight through the port of New York should be waybilled and carded to "New York Lighterage." The lighterage charge on such lots for export shipments only, is 3 cents per 100 pounds, with a minimum charge of \$6.<sup>9</sup>

On small less-than-carload shipments of export freight from western inland points, not covered by the regulations quoted, the railways make various charges for cartage and ferriage in addition to the inland and ocean rates. According to the Shipping Instructions published by the Pennsylvania Railroad the charges are. Single shipments less than 200 pounds, 50 cents each; from 200 to 499 pounds, 75 cents each; from 500 to 1,999 pounds, \$1 each; and so on, to steamships within certain limits, with 50 per cent additional to certain other specified steamship piers on Manhattan Island. Deliveries from New York stations to vessels lying in Brooklyn, Jersey City, and Hoboken cost 50 per cent more than the rates above named, plus 75 cents for ferriage on each 4,000 pounds or fraction thereof, and special rates are named for shipments to be delivered to certain other more distant docks. It may be noted,

<sup>9</sup> For full details as to New York terminal arrangements, as those of other ports also, see East Bound Guide Books, Billing Instructions, etc., issued by the various trunk lines.



however, that rates published by the railroads may sometimes be largely discounted through contracts with independent truckmen or forwarding agencies in New York.

Freight is usually allowed to remain at the arriving station without payment of storage charges for a certain limited period after arrival—generally from 24 to 48 hours. In the case of freight arriving at New York, intended and specified for export, ten days' free storage is granted by the trunk lines from the west, although the same privilege has not been extended by the rail or boat lines bringing freight from the New England States.

The railroads entering New York have established various rules and regulations governing the movement of freight in New York Harbor, including the handling of export and import traffic. The specimen pages from the Pennsylvania Railroad tariff shown herewith indicate the nature of the regulations applied to this traffic.

### *(b) The Port of New Orleans*

The port of New Orleans, situated about 100 miles from the Gulf of Mexico, stretches for about 15 miles along the Mississippi River, which at this point is one-half to three-quarters of a mile wide and from 40 to 100 feet deep. The levees for flood protection are very wide and serve the purpose of marginal streets along the waterfront, the wharves being built above the levee and out beyond it. Unloading can be done in midstream but most vessels land broadside along the wharves, which project from 50 to 100 feet. There are approximately five miles of wharves with a possible river frontage of

## 18.—Extra Towing Charges for Car Floats, Lighters, Barges or Grain Boats.

The following is the schedule of charges for towing freight, lightered or floated, to available points beyond the free lighterage limits, New York Harbor (See Rule 3)

To or from points beyond Jerome Avenue Bridge to 160th Street, inc	\$ 7 00
" " " " 160th Street to High Bridge, inc	15 00
" " " " High Bridge to Spuyten Duyvil, inc	20 00
" " " " on the Hudson River between 185th Street and Inwood, inc	15 00
" " " East Dock of Wards Island	10 00
" " " points beyond the East Dock, Ward's Island to Port Morris, inc	15 00
" " " " Pot Cove to Lawrence Point, inc	15 00
" " " " Lawrence Point to College Point, inc, including Bowery Bay, but not including Flushing Bay	30 00
" " " " in Gowanus Canal above Hamilton Avenue Bridge	
Grain boats	5 00
Boats other than Grain boats	10 00
" " " " beyond 69th Street, South Brooklyn to Fort Hamilton, inc	20 00
" " " " on the Jersey Shore, south of Avenue C, Bayonne City, to and including Neck at Bergen Point	7 00
" " " " beyond Neck at Bergen Point to Newark, N J, inc	30 00
" " " " on Staten Island Sound beyond Arlington to Elizabethport, inc	15 00
" " " " on Staten Island Sound beyond Elizabethport to and including Perth Amboy and Tottenville	30 00
" " " " beyond Port Morris to Oak Point, inc	20 00
" " " " on the East Shore of Newark Bay beyond neck at Bergen Point, to the C R R of N J Main Line Bridge.	10 00
" " " " Littletonville, S I	30 00

When an order is received from one shipper or consignee to lighter at one time, to or from one Harbor point, a larger quantity of freight than the capacity of one car float, lighter, barge or grain boat, the charge for the towing of but one car float, lighter, barge or grain boat will be made, but the full rates for extra towing beyond the free lighterage limits will be collected on each tow to one consignee, or from one shipper

## 19.—Demurrage Charges on Lighters, Barges or Car Floats carrying freight under Export and Domestic Bills of Lading.

When a car float, lighter or barge reports at its destination, shipper, consignee, ship owner or ship agency permitting or receiving the same, as the case may be, must provide a berth, and 48 hours from the time the car float, lighter or barge reports (Sundays and full holidays excepted), shall be deemed lay days without charge, after which demurrage shall accrue against each shipper, consignee, ship owner or ship agency, as the case may be, at the following rates per day of 24 hours or a fraction thereof

Car Floats	\$25 00
Steam Hoisting Barges, when handling shipments any peice of which weighs up to 25 tons	20 00
Heavy Hoisting Derricks, when handling shipments any peice of which weighs over 25 tons to 40 tons, inclusive.	40 00
Heavy, Hoisting Derricks, when handling shipments any peice of which weighs over 40 tons	50 00
Other Lighters or Barges	10 00

Or, at the option of the Pennsylvania Railroad Company, if no berth is provided or the vessel is not unloaded within the lay days, the property will be removed to and stored in any public or licensed warehouse in New York Harbor, at the cost of the owner and without liability on the part of the Pennsylvania Railroad, and subject to a lien for all lawful charges

Delivery of the property when covered by domestic bills of lading will only be made upon the payment or satisfactory guarantee of demurrage charges

### Exceptions.

—(a)—When a car float, lighter or barge contains more than 200 tons of freight for one shipper, consignee, ship owner or ship agency, an additional 24 hours free time will be allowed that shipper, consignee, ship owner or ship agency for each additional 100 tons or fraction thereof in excess of 200 tons

(b)—On deliveries to a steamer or other vessel, when car float, lighter or barge contains shipments for two or more shippers or consignees (whether covered by export or domestic bills of lading) but one bill for demurrage will be collected, provided the ship owner or ship agency pays or guarantees the charge, otherwise each shipper or consignee will be assessed demurrage at the foregoing rates

### FIG. 9.—Freight-Handling Charges in New York Harbor

Reproduced from Pennsylvania Railroad Company shipping instructions

## 20.—Wharfage.

No payments for wharfage for the berthing of lighters or car floats shall be made in excess of the legal rates established therefor. All other landing charges, including "top wharfage" if any, to be paid by shippers or consignees, who must also provide berth.

## 21.—Expense of Bracing Shipments of Lumber and other Articles.

The expense for staking, wiring or cleating shipments of Lumber, Telegraph Poles or similar lading, will be made a charge upon the lading as follows

When material and labor are furnished by the Railroad Company	\$2 00 per car
When material is furnished by shipper and labor by the Railroad Company	50 " "

On Import traffic forwarded from ship's side bonded warehouses or appraisers' stores, requiring to be secured by blocking, staking or otherwise, on or in cars for safe transportation, no charge for such service should be assessed against the property.

## 22.—Handling of Rejected Freight.

On rejected or re-ordered freight a charge of nine (\$9 00) dollars per lighter shall be made for each towage movement between points within the free lighterage limits; the published rates for towing to points beyond the free lighterage limits to apply in addition to the above charge.

If the freight is not unloaded within the established free time from arrival at point to which lighter was originally ordered, the charge for demurrage as provided in the tariff of the delivering line will be assessed for any excess over such free time, in addition to the charge above provided for extra towage.

## 23.—Cartage and Ferriage Rates on Less than Carload Shipments of Export or Domestic Freight (see Note).

The following charges will apply on less than carload shipments of export or domestic freight (see Note) handled by the Pennsylvania Railroad Company's draymen and will be in addition to the inland and ocean rate

(a)—Single shipments, less than 200 pounds	50 cents each
" " 200 to 499 " inclusive	75 " "
" " 500 " 1999 " "	\$1 00 each
" " 2000 pounds and over	5 cents per 100 pounds.

From any station south of 23rd Street, North River New York side and 14th Street, East River, New York side to any steamship pier north of 23rd Street, North River, and 14th Street, East River or

From any station north of 23rd Street, North River and 14th Street, East River to any steamship pier south of 23rd Street, North River and 14th Street, East River, the cartage charge will be 50 per cent. in addition to the foregoing rates.

On the North River pier 62 is south of 23rd Street and pier 64 north of 23rd Street.

On the East River the highest established pier number is 62, located south of 14th Street.

(b)—Deliveries from New York stations to vessels in Brooklyn, Jersey City and Hoboken 50 per cent. in addition to the rates shown in Section (a) of this Rule, plus 75 cents for ferriage on each 4000 pounds or fraction thereof.

(c)—Articles of a particularly heavy or bulky nature cannot be handled at the charges above named, but will be subject to such charges as may be arranged for with the Pennsylvania Railroad Company's draymen in each particular case.

(d)—Where cartage and ferriage at above amounts aggregate more than six (\$6 00) dollars on an Export shipment or nine (\$9 00) dollars on a Domestic shipment such shipment (if not included in restricted articles as shown on pages 19 to 27) may be lightered at a rate of three (3) cents per 100 pounds, subject to a minimum charge of six (\$6 00) dollars in addition to the New York rates, in lieu of cartage, when for Export, and at three (3) cents per 100 pounds, subject to a minimum charge of six (\$6 00) dollars, when for Domestic destination.

NOTE.—As an exception to the above, the drayage on shipments destined to domestic ports from Pennsylvania Railroad downtown Piers to the Clyde, Mallory, Maine, Morgan, Old Dominion, Savannah and Texas City Steamship Lines will be 4 cents per 100 pounds, minimum charge 25 cents, excepting on unusually heavy and bulky articles (See page 16).

## 23.—Continued.

The following transfer charges will apply on the light and bulky or heavy articles specified below for delivery to the Clyde, Mallory, Maine, Morgan, Old Dominion, Savannah and Texas City Steamship Lines.

	IN CENTS	
	Rates per 100 Lbs	Minimum Charge
Heavy or bulky machinery, such as boilers, blowers, lathes, looms, cotton gins, etc., (not sewing machines or parts thereof, or machines or machinery, K. D., when compactly boxed or crated in packages of not unusual size or weight), stoves and parts thereof, heavy iron safes, heavy castings, heavy pieces of stone, loose chain, anchors, iron or wood tanks and vats, fire plugs, fountains, car wheels or axles, locomotive wheels, locomotive tires and frogs, and switches—also structural iron, rails, steel or iron bars and iron pipe over 22 feet in length. Plate steel or iron over 8 feet by 10 feet, coils of rope and reels of cable or wire, each weighing 2000 pounds or over	8	50
Furniture, step ladders, sash, doors and blinds, wire window or door screens, large and bulky packages of light weight, such as baskets not nested, wire sieves, bird cages, crockery in hogheads, tierces or crates	8	
On shipments of 200 pounds and under		25
On shipments of over 200 pounds		50
Organs	8	50
Pianos	8	100
Vehicles, crated (except Automobiles)	15	75
Automobiles, actual weight	15	300
On other light and bulky or heavy articles not specified above, special rates will apply and can be obtained upon application, giving the weights and dimensions of the packages		

(e)—Carriage from Pennsylvania Railroad Station, at Jersey City, N. J., to steamship piers in Jersey City or Hoboken (see pages 47 and 48) will be performed subject to conditions and at rates per local freight tariff, G. O.—I. C. C. No. 4028, and reissues thereof (See Rule 8—14)

## 24.—Employment of Additional Equipment in Handling Heavy and Bulk Freight West-bound.

All west bound traffic except the heavy and bulky articles as enumerated below and designated in Rule 25 shall be handled by the Pennsylvania Railroad Company's own equipment.

The articles in bulk, which may be handled west-bound by outside equipment are as follows.

Brimstone or Sulphur, Spiegel Iron or Spiegel Eisen, Salt, Chrome Ore, Magnesite, Iron Ore, Iron Pyrites, Old Iron or Steel Rails, Scrap Iron, Manganese Ore, Emery Ore or other Ores, Spent Oxide, Clay, in lots of 50 tons or over to each consignee and destination, the allowance on such articles to be 42 cents per ton (gross or net, as rated), for service of lightering only, or 60 cents per ton if lightering, shoveling, hoisting and trimming in car is done at expense of the lighter

## 25.—East-bound and West-bound Allowances, to Outside Lighters for Lightening Heavy Articles.

The following are the maximum allowances per net or gross ton, as rated, to be made to outside lighters for handling heavy articles weighing 8 tons or over, to apply on both east-bound and west-bound shipments; any balance of same shipment (pieces weighing less than 8 tons each) handled by outside lighter at same time, shall be paid for at regular lighterage rate, not exceeding 8 cents per 100 pounds

Pieces weighing up to 8 tons	\$ .08 per 100 pounds
" " over 8 tons and up to 20 tons	1.00 per ton
" " " 20 " " " 30 "	1.25 " "
" " " 30 " " " 35 "	1.75 " "
" " " 35 " " " 40 "	2.50 " "
" " " 40 " " " 45 "	3.00 " "
" " " 45 " " " 50 "	3.50 " "

Minimum payment for any one delivery 20.00

Shipments of heavy articles, any piece of which weighs more than 50 tons, will be subject to such allowances as may be arranged for with the Pennsylvania Railroad Company in each particular case.

Street Car Bodies or Street Cars, complete with trucks or motors, and empty Tank Cars, 8 cents per 100 pounds, plus \$15.00 per Street Car or Street Car Body, and empty Tank Car with a minimum of \$60.00 over and above the regular lighterage allowance of 8 cents per 100 pounds for any one delivery, in addition to which extra towing charges beyond the free lighterage limits will be collected, when such service is performed. (See Rule 18.)

41 miles. Seventy-five per cent of these wharves are under steel sheds built of modern and approved construction at a cost of \$3,500,000, some of them equipped with telpherage and other improved apparatus for loading, unloading, and distributing cargo.

All factories or wholesale establishments at any point on the railroads entering the city are connected with the wharves by the public belt line, switching charges being \$2 per car. Freight is loaded into the vessels, which are usually anchored alongside the sheds. Freight has hitherto been lightered alongside of vessels only in exceptional cases, though now it is reported that the Southern Pacific is making new arrangements which will promote cotton exports and which will involve extensive lighterage to ship's side. This will obviate the moving of vessels after each cargo.

The great extent to which the State owns the waterfront and wharves, together with the city ownership of the belt railroad, gives promise that New Orleans will have the most perfect terminal co-ordination in the United States. It is thought that public ownership of the dock facilities insures against discrimination in favor of any one railroad or steamship line or of the two combined. New steel sheds are being constructed as they are required by the increasing steamship services of the port, at least five new lines having recently arranged to make New Orleans a terminus or a port of call. At Port Chalmette (six miles below New Orleans), at Westwego (opposite New Orleans), and at Gretna and Algiers (four or five miles farther down the river) are important terminals of railway and coastwise steamer lines with wharves, some of which can accommodate four or five ocean steamers at a time.

Both imports and exports through the port of New Orleans have steadily increased for many years past. Imports especially have grown at a more rapid rate than those of New York, due, in part, to the well-organized lines of fruit steamers plying to and from the West Indies and Central America. The principal imports of New Orleans are coffee, bananas and other tropical fruits, and the largest exports are lumber, grain, cotton, rice, sugar, and molasses.

*(c) The Port of San Francisco*

The largest and most important harbor on the Pacific coast is San Francisco Bay. It has a shore line 100 miles in length and an area of 250 square miles, 24 square miles of which are in the immediate vicinity of San Francisco and used as an anchorage ground. The city of San Francisco, on the northern end of the peninsula separating the southern arm of the bay from the ocean, has a shore line about 10 miles in length, on which 11,400 feet of seawall have been constructed in water from 10 to 24 feet deep. The docks will accommodate at one time more than 220 vessels, allowing an average of 250 feet to each vessel. The best wharves are 140 feet in width with slips 220 feet wide and an average length of about 600 feet.

A large portion of the facilities of which the harbor of San Francisco boasts may be attributed to public ownership of the waterfront. It is said that this port has supported itself for more than fifty years without a dollar of appropriation from either local or State treasuries. During this time it has not only constructed

the port but has paid all running charges, the cost of labor and the cost of construction, to meet the great increase in commerce. Within the last three years \$10,000,000 worth of bonds have been issued for the improvement of port facilities, \$9,000,000 being for harbor improvements and \$1,000,000 for sixty-three blocks of land to add to the port front.<sup>7</sup>

A nominal wharfage charge, uniformly 5 cents per ton for all classes, is made on merchandise. Vessels frequently pay this charge in lieu of dockage for the use of the wharves. The regular dockage rate ranges from 2 cents up to \$2 a ton per day. Within the past two years the Harbor Commission has reduced rates 10 per cent to shippers.

As an adjunct to the docks the State owns and operates a belt railroad, which receives cars, by car ferries, from the railway terminals across the bay and distributes them among the freight houses, warehouses, and factories around the waterfront. A section serves the piers and there are several miles of private spurs owned by industrial and railroad companies. San Francisco's foreign trade shows a steady growth for the past twenty years. In 1913 exports increased 30 per cent over 1912; imports, however, showed only a small increase.

Just across from San Francisco, on the eastern shore of the bay, is the city of Oakland, the terminus of the trans-continental railways. The waterfront at Oakland has been controlled almost exclusively by private interests, chiefly by the railroads. The city is now making energetic efforts to acquire municipal control and to

<sup>7</sup> Address of J. W. Dwyer, President of the State Board of Harbor Commissioners, San Francisco, at the meeting of the National Association of Port Authorities, December 10, 1912.

develop certain portions of the waterfront, building new and necessarily longer piers from the shallow shore line to the deeper waters of the channel and making a bid for increased patronage by ocean steamships.

#### *(d) Puget Sound Ports*

Seattle, situated on the eastern shore of Puget Sound, has a harbor with an area of about 800 acres and a waterfront 6 miles in length. Owing to the depth of the water, vessels can anchor at few places in the bay. Railways (especially the Northern Pacific and the Great Northern or affiliated companies) occupy almost the entire length of the active waterfront, own a large proportion of the docks, wharves, and warehouses, and control a large share of the transportation agencies operating on Puget Sound and the neighboring waters of the Pacific Ocean.

As at Seattle, a large share of the city waterfront of Tacoma is owned by railroads (chiefly the Northern Pacific). The active harbor extends for a distance of about 4 miles, with an extensive system of wharves, warehouses, and good facilities for loading and discharging. A number of lesser ports are also included in the Puget Sound district, notably, Port Townsend, Olympia, Bellingham, Everett, and other cities. Pacific liners do a large export business from Puget Sound to the Orient, especially in lumber and flour. This traffic has practically doubled in ten years, while imports, although far below exports in value, have more than trebled. Ships frequently load partly at Seattle and partly at Tacoma.

#### 5. PORT AND TERMINAL CHARGES

Port charges and direct or incidental terminal charges on vessels and water borne freight vary at different ports.



Local pilotage charges are frequently compulsory, and towage rates, wharfage, and stevedore charges follow no standard scale. Vessel owners usually pay pilotage and towage, harbor dues or harbor-master's fees, dockage, and quarantine charges; on the other hand, wharfage charges, that is, charges against the freight, are often included in the freight rate.

While some of the States exempt from taxation vessels engaged in the foreign trade, the Federal Government imposes a tonnage tax on vessels entering the ports of the United States from foreign ports, whether owned in America or abroad. A duty of 3 cents per ton at each entry, not to exceed in the aggregate 15 cents per ton in any one year, is now imposed on all vessels entered in any port of the United States from any foreign port or place in North America, Central America, the West Indies, the Bahama Islands, the Bermuda Islands, the coast of South America bordering on the Caribbean Sea, or Newfoundland. A duty of 6 cents per ton, not to exceed 30 cents per ton per annum, is imposed on all vessels entered from any other foreign ports, excepting, however, vessels in distress or not engaged in trade. No vessel belonging to any citizen of the United States trading between two ports within the United States or employed in the banks, whale, or other fisheries, is subject to tonnage taxation or duty, if licensed, registered, or enrolled. A duty of 50 cents per ton, designated as "light money," is also levied in exceptional cases on vessels not of the United States entering the ports of the United States.

Some of the States, particularly on the South Atlantic coast, make sailing vessels liable for pilotage charges even if a pilot is not employed. Some of the States, too,

for a consideration, issue annual licenses relieving the vessel from the necessity of taking a pilot.

Sailing vessels and barges are generally moved about harbors by tow boats while steamships very frequently employ the services of such boats in docking and undocking. Towage rates vary according to the class, tonnage, and draft of vessels, the distance towed, condition of weather, etc. The rate is usually fixed on the tonnage, net or gross, of the vessel towed or on her cargo-carrying capacity. At some ports a certain minimum schedule of rates is made by agreement among towing interests, while at others, rates are controlled by a single company and not infrequently are the result of "bargaining" between captains.

Although of minor importance, charges known as quarantine fees are sometimes made under the public health laws of a State for the fumigation of vessels and cargo or for sanitary inspection.

Harbor dues or harbor-master's fees are sometimes imposed to meet the expenses of the administration of port regulations providing for the safety and accommodation of vessels in the harbor or at the docks. Thus, at New Orleans, the Board of Port Authorities charges vessels of less than 100 tons \$2.50, vessels of from 100 to 500 tons \$5 00, and vessels of 500 tons and over certain other rates fixed by statute. Vessels using sheds provided by the Commission pay an additional charge of one-half cent per net register ton per 24 hours, and dockage rates are 2 cents per ton per day for the first three days and 1 cent per ton per day for the next three days.

The charges for wharf and dock facilities show little uniformity, whether publicly or privately fixed. For the

most part the rates are determined by agreement, charges by the trip usually being based on the size of the vessel, the frequency of its trips, the length of time for which the wharf is used, the volume of freight handled, and other considerations.

The principal port terminal charges on freight are charges for landing facilities, loading and unloading charges, incidental transfer expenses such as lighterage, cartage, storage, or warehousing, and sometimes demurrage when vessels are not loaded or unloaded within a certain time. While on package freight the port or terminal charges are sometimes paid by shippers or consignees as a separate item, they are more generally absorbed by the water carrier or connecting rail line or included in the freight rate.

The charges for transshipping cargoes are mainly for labor and for the use of mechanical appliances, varying according to the freight, the manner of handling, and the scale of wages. The expense of handling package freight is usually borne by the navigation companies; in bulk cargoes, either by vessel owners or shippers, as agreed.<sup>1</sup> Proper stowage and expeditious handling require a considerable degree of skill and are more generally done by the crew of a vessel, although special stevedores are sometimes engaged by shippers or by shipowners, as may be agreed.

Handling charges on grain are known as elevator charges and include receiving, storage, weighing, screening, blowing, mixing, delivery to cars or vessels, and other incidental charges which amount to from one-half to seven-eighths of a cent or more per bushel. A trimming charge for distributing the coal in a boat so that the load will not shift and so that the weight will be

properly distributed, must sometimes be paid on shipments of coal. This charge is 3 cents a ton on barges at New York and 7 cents a ton on schooners at Norfolk.

### TEST QUESTIONS

1. Mention some of the harbor improvements which have been undertaken by the national government

2. What is meant by a "harbor trust" as used in Great Britain?

3. Why is the control of terminal facilities so important?

4. How does ownership of terminal facilities in this country compare with ownership in European countries? What is the reason for the difference?

5. What services are included in terminal facilities?

6. What two important problems, according to Mr. Hough, do our ports face today?

7. What are the chief types of freight-handling machinery used in loading and unloading vessels?

8. Name the most important seaports of the United States

9. What is meant by "ports of entry"?

10. What are some of the causes for congestion of traffic at the port of New York?

11. What is meant by a lighter? Explain the meaning and use of the term "lighterage free"

12. Explain the Bush Terminal

13. Explain the free-storage privileges, on goods intended for export, granted by the trunk lines from the East and by the New England lines at the port of New York.

14. Explain the main features of the port of New Orleans.

15. What terminal advantages are claimed for New Orleans?

16. Explain the harbor facilities of San Francisco

17. What is the significance of the city of Oakland in connection with the port of San Francisco?

18. What is the nature of the harbor facilities of most of the Puget Sound ports?

19. What port charges are usually paid by a vessel and what charges are included in the freight rate?

20. Explain tonnage taxes as applied to vessels.

21. How are towage charges handled?

22. What is meant by a trimming charge?

23. What is a stevedore?

## CHAPTER V

### OCEAN SHIPPING ROUTES AND SERVICES

#### 1. THE GREAT TRUNK LINES

“Trunk line” is a term that may be applied with equal justice to the great water routes of the world, and to the main through line of a railway. Although there is no right of way, no stretch of steel rails and sleepers, vessels that plow the seas follow certain routes. In the comparatively crowded north Atlantic, courses are carefully mapped out. Seven great trade routes of the world are distinguished by prominent American and European authorities. Of them all, the North Atlantic route is by far the most important both in freight and in passenger traffic.

##### *(a) The North Atlantic Route*

More than one-sixth of the world's entire shipping is said to be employed on this trunk line between the United States and various countries of northern Europe. Not only are countries in that part of the world the largest customers for American goods, but the United States is by far the largest buyer of exports from Great Britain, Germany, and France. The North Atlantic route reaches from our principal ports to the mouth of the British Channel and thence through diverging lines to sundry

ports of the North and the Baltic Sea. Very few lines pass to the north of Ireland, having Glasgow or Belfast as termini. This great North Atlantic trunk route, like every other, has numerous feeders, branch lines joining it, for example, from Canada, from ports of the Gulf of Mexico and the Caribbean Sea, and, at its other extremity, branch lines connecting it with those Scandinavian and Russian ports not directly reached by steamers from this side

The North Atlantic route goes far to the north of the ocean, following the arc of a great circle, the shortest distance between two points on the spherical surface of the globe. The shortening of distance thus involved will be readily appreciated upon examination of any geographical globe, although it appears puzzling on first examination of a flat map. It is owing to this fact that vessels from the West India Islands and other points south of our own country proceed to northern Europe over very nearly the same route that is followed by ships from New York and Boston, passing often within a few miles of New York. A steamship proceeding from Central America to Liverpool would lose only a little over 300 miles in actually calling en route at New York. Such calls are rare, because a chance visitor to New York Harbor would have little luck in picking up either cargo or passengers<sup>1</sup>. Calls are common at Hampton Roads, however, for fresh supplies of coal to run vessels across the Atlantic.

<sup>1</sup> One example is the Spanish trans-Atlantic service from Barcelona to Vera Cruz, Mexico, calling on the outward voyage at New York and Havana and on the return at the same ports in reverse order

*(b) The Mediterranean and Oriental Route*

The second of the great trade routes, ranking next in importance to that of the North Atlantic, is that from the eastern coast of the United States (or from England or northern Europe) via Gibraltar into the Mediterranean, to southern Europe and northern Africa and through the Suez Canal to India, the Straits Settlements, the Philippines, Japan, and Australasia. This route beyond Suez is used by steamers only, for the unreliable winds of the Red Sea and the high canal dues make it unprofitable, indeed almost physically impossible, for sailing vessels. The latter still take the route around the Cape of Good Hope, as steamships also did prior to the opening of the Suez Canal in 1869. In the case of passenger carriers, the saving in time of passage effected by the Suez route far more than offsets the charges for the use of the canal.

From this route there is naturally, as a glimpse at a map will suggest, an especially large number of feeders. Connecting with this main line are subsidiary lines to and from the Levant and the Black Sea, the Persian Gulf, East Africa, the Dutch East Indies, Siam, Cochin China, etc. With the enormous recent development of commerce the world over, it is becoming more and more the practice to inaugurate direct lines of steamers between ports whose business, actual or in immediate prospect, warrants so doing. Nevertheless, there must always remain a very large number of ports and districts whose commerce must be connected with a trunk line by subsidiary services, transshipping goods to more important through lines.

*(c) The South African Route*

Next comes the South African Trunk Line, terminating in American or European ports at one extremity and at Cape Town or, more commonly, at ports on the southeast coast of Africa—Port Elizabeth, East London, Durban, and Delagoa Bay, at the other. Many steamers, constituting a very important element in this trade, however, continue on beyond the Cape of Good Hope, even if, as is not always the case, such steamers call at Cape Town to take on or discharge cargo or passengers. This through service, destined especially for Australia and New Zealand, but to some extent even for British India, is composed almost exclusively of freight vessels. Although the voyage from Great Britain is 1,000 miles longer by this route than through the Suez Canal and the Red Sea, ships select the South African route for the sake of economy in escaping the Suez tolls. With them time is not so great an object as it is with vessels of a somewhat higher class, especially the great passenger liners. Practically all cargo ships from the United States to ports of Australasia take this route, so do some of the ships of similar character from New York to the Philippines, China, and Japan. The distance from New York to Australasian ports is practically the same via Suez or via the Cape.

Within the past few years British shipping lines have devoted special attention to building up services to Australia on this route (via the Cape), and there are at present a considerable number of large new ships in this service that offer satisfactory accommodations for passengers as well as cargo, at fares much lower than those charged by the express steamers via the Suez



Canal. On this trunk line there are no ships from the United States that accept passengers, and to reach South African ports the American traveler has first to proceed to Europe, while to reach China, Japan, the Philippines, or Australasian ports he usually proceeds by way of Pacific ports. The heaviest sailing tonnage in the world is to be found along the Cape route.

*(d) The South American Route*

The fourth of the great trade routes may be called the South American. As a trunk line it must be considered as extending from Europe and the United States around Cape Horn (for sailing vessels) or through the Strait of Magellan (for steamers, few of which now go " 'round the Horn"), up the west coast of South America as far as Panama, on to the comparatively unimportant ports of Central America, and up to San Francisco, Puget Sound, or Vancouver. In this route, however, must also be classed the separate and usually independent services from the United States and Europe terminating at the ports of Brazil or of the River Plate. Many lines serve Brazil only, others serve both Brazil and the River Plate; while the only approach to the ports on the west coast of South America has hitherto been the long route around Cape Horn. The latter is served almost exclusively by lines that do not visit either Brazil or the River Plate, and, except to refill bunkers with coal, very rarely stop at intermediate ports. It is in regard to the West Coast that steamship routes will be most conspicuously altered by the Panama Canal. As a matter of fact the actual distance between certain ports of the United States and of Europe, and ports in China and Japan is shorter via

Magellan than via Cape of Good Hope, yet the Magellan route is never followed by merchant ships destined for the Orient because of the delays and dangers likely to be encountered in the stormy and foggy strait

Comparatively few services via this trunk line are uniformly regular in both directions. There are, it is true, several important lines of steamers, both from Europe and from the United States, serving Brazil and the River Plate markets. Vessels of these lines travel back and forth with all the regularity of any line, but a large share of American business with these markets involves the use of ships in one direction only. For example, the United States is the largest buyer of Brazilian products—coffee, rubber, etc., especially the former. There is demand for a much greater tonnage to bring these products to the United States than there is for ships to take American exports to Brazil.

As European shipments to Brazil, consisting of general merchandise and more especially coal, are heavier than those from America, a triangular route is common—vessels proceeding from Europe with cargo for Brazil and returning from Brazil with products of that nation to the United States. Here, owing to the comparatively limited exports destined for Brazil, which are adequately taken care of by a smaller fleet, the ships pick up a cargo for Europe. They thus complete what is known as a triangular voyage, frequent in all seas, but especially common in almost all of the South American trade. Similar conditions prevail in trade with the Argentine Republic.

The trade of the West Coast, on the contrary, demands more ships from the United States than for the return voyage. The result is that ships chartered for the trip

out from New York are usually abandoned to the owners at Valparaiso, Callao, or other port of final destination. They proceed thence, with or without cargoes, in such directions as owners may be able to arrange. This state of affairs will probably continue until the rapidly growing commerce between North and South America reaches the point where the movement in cargo, in both directions, is more nearly equalized. This may be hastened by the use of the Panama Canal and may perhaps be assisted by the projected development of enormous iron ore mines in Chile. There interests have recently been acquired by a large steel company of the United States and will involve the chartering, buying, or building of a considerable fleet of vessels which it may be thought wise to utilize exclusively in the direct service between the United States and Chile. One indication of this may be found in the establishment by the United States Steel Corporation, of a regular direct line of chartered steamships between New York and Brazil. This new service is said to have been inspired by large contracts for rails and other steel products that the corporation has secured in Brazil. The ships of this line will seek general cargo in addition to that supplied by the Steel Corporation for its Brazilian customers, and, furthermore, whether loaded or not, they will return from Brazil direct to New York.

It should be observed that the popular impression, indeed the statement often made from the platform and in print, that South America lies nearer to ports of the United States than to European exporting points, is a mistaken one. An examination of a good globe or map will quickly demonstrate this. For all ports south of Cape Roque, distances to the principal shipping points of Great Britain and France are considerably shorter

than between the same ports of South America and New York.

Still another important factor in the trade following this great trunk route is composed of ships that stop at no South American ports whatsoever, but proceed on northward along the West Coast to the Hawaiian Islands or to ports of California, Oregon, Washington, and British Columbia. Practically all of the last-named trade is now likely to be diverted through the Panama Canal.

### *(e) The Caribbean Route*

The fifth, or Caribbean, route is entirely different from any other of the seven. A score of lines from Europe, as well as from the United States, penetrate the barrier raised by the long chain of the Greater and the Lesser Antilles between the Caribbean Sea and the Atlantic Ocean or enter the Gulf of Mexico by the channels between Cuba and Florida on one side and Yucatan on the other. Here is a veritable tangle of routes which cross each other in every direction. Ships on these lines carry through cargo from home port to final port; they also, almost without exception, do what may be likened to an accommodation-train business, virtually a coastwise trade, calling at intermediate ports to leave a little cargo and take on a little more.

This route includes shipping between New York and other Atlantic ports and our own and Mexican ports of the Gulf, ports of Central America, northern South America, and the West Indies; it includes also shipping between British, German, French, and other European ports and the ports just referred to around the Caribbean and the Gulf of Mexico. There are regular lines engaged in this trade, some of them more highly

specialized than almost any others. For example, here we find the ships in the great fruit trade and the lines that handle almost exclusively cotton, or grain, or lumber, from our Gulf ports, etc. In addition there are large numbers of tramps engaged at certain seasons when crop movements are heaviest.

A good idea of the general Caribbean trade may be gained from an examination of the operations of the Royal Mail Steam Packet Company along this route. Sailing fortnightly from Southampton, these vessels, after a call at the Azores, proceed to Barbados. Thence, loading and discharging cargo, passengers, and mails at each port of call, they visit Trinidad, Puerto Colombia, Cartagena, Colon, and sail northwards to Kingston, Jamaica, and Antilla, Cuba, thence to New York. Their homeward journey from New York follows the same route in reverse order. At Port of Spain (Trinidad) these ships make connection with, and transship to, inter-colonial vessels of the same company on branch lines, reaching Demerara, the islands north of Trinidad as far as St Kitts, and several coast ports of Venezuela as far as La Guayra. A similar course is sailed by Dutch vessels from Rotterdam, excepting that calls are made at Haitian instead of at Jamaican and Cuban ports.

Other European lines make a number of calls before reaching a terminal at Colon or on the Central American coast. This sort of service is found profitable, indeed is almost indispensable, in the West Indian and Caribbean trade, where the business of any one port or district is not sufficient in itself to monopolize the service or the capacity of any one vessel. American lines ply to Colon, Central America, Colombia, Venezuela, sundry islands, and Mexico, both from New York and from most of our

other principal ports. While the greater part of the trade of our Gulf ports is direct (without stop) to Europe, yet some of the ships that load cotton, etc., at Galveston and New Orleans reach those terminals after a voyage of general character from home port in Europe, with frequent calls, such as have been described.

At this point it may be well to call attention to certain factors which affect the prompt, and in some cases the economical, shipment of freight to ports reached by ships following this route. Because of inadequate landing facilities at not a few of these ports, ships often restrict the quantity of cargo they will accept for a certain sailing to such a tonnage as they can discharge within the usual length of time allotted to a call at the particular port in question. Thus, the captain of a ship on which the author traveled a short time ago declared that he had left behind him on New York docks upwards of 900 tons of cargo, destined for a port in the West Indies, which it was impossible for him to accept, even though he had room for it, because unloading it at port of destination would have delayed the ship at that port for a day or two beyond his advertised sailing date.

#### *(f) The East Asia-American Route*

The sixth of the great ocean routes leads across the Pacific and connects North America and Asia. In some respects this trunk line resembles the North Atlantic route, although of far less importance. San Francisco and Yokohama lie in practically the same degree of latitude, yet the shortest route between the two ports follows the arc of a great circle, leading far north. Some lines vary this route by a call at the Hawaiian Islands.

These islands have grown fast in commercial importance, especially in recent years. They lie 2,000 miles south of the shortest passage and a call at Honolulu adds 800 miles to the length of the voyage. While the main course of this route lies between San Francisco and Yokohama, yet on the American side there are other ports that contribute to it from San Diego and Los Angeles, on the south, to Portland, Oregon, the Puget Sound ports of Tacoma and Seattle, and the British Columbian port of Vancouver. On the Asiatic side, lines extend from Yokohama to other ports in Japan, to North China, Corea, and Siberia, down the China coast, and on to the Philippine Islands. This northern Pacific trunk line is another forceful illustration of the distance saved by great circle sailing. Vessels from as far south as Panama on the American side travel almost due north to join the arc that is followed by ships from Puget Sound, while the distance is far less to Manila on the Asiatic side via Yokohama and the great circle than by any other route.

#### *(g) The North and South Pacific Route*

The last of the great ocean routes is from our Pacific coast (or from Vancouver) to the Australasian colonies. On the American coast, the Puget Sound ports and San Francisco are the principal points from which steamers proceed, calling at Honolulu and Samoa, Fiji or Tahiti, to one or more ports of New Zealand, usually finishing the voyage at Sydney, unless cargo requirements involve proceeding to Brisbane, Melbourne, or other Australian ports. It is said that this route has not been profitable of late years. At times services have been abandoned altogether. Although this is the shortest route between

eastern Australia or New Zealand and the eastern United States and Great Britain, mails have perforce been shipped by the Suez Canal route. The freight traffic between the Pacific Coast and Australasia has never been heavy, and lines have professed themselves dissatisfied with mail payments. Occasional sailings are scheduled, but the service is comparatively unimportant.

## 2. ARRANGING PROFITABLE ROUTES

Triangular routes, necessarily adopted by some shipping lines, are comparatively numerous. Very few markets in the world exchange with any other country an equal volume of export and import freight. There will, therefore, in almost every case be a surplus of cargo moving in one direction, and the ships required to take care of that surplus must, after discharging, seek employment in another direction. Varying seasons in different countries, too, affect the demand for tonnage. It sometimes requires considerable ingenuity on the part of shipping lines to arrange sailings between given ports so that they will be both regular and profitable.

A scheme devised about ten years ago by the directors of the Russian Volunteer Fleet at Odessa, as once explained to the author, may be taken as an illustration. There is a very large and profitable emigrant traffic from Russia and the Levant to the United States. Several vessels belonging to the fleet in question were, at that time, not very profitably employed. There was no question about the large profits to be obtained from emigrant passages if a regular line were established to sail from Odessa via Turkish, and possibly Italian, ports on the Mediterranean, to New York, for the assured patronage



from all these ports was quite enough to cover the expenses for the outward voyage (Odessa to New York).

The directors of the Russian Volunteer Fleet were not convinced, however, that return traffic would be sufficiently large or regular to be relied upon to support a direct return voyage from New York. Accordingly, they planned to send the Russian ships from New York to Brazil, either in ballast or with such cargo as might be picked up at New York, and in Brazil load coffee, partly for Trieste and partly for south Russian ports. The heavy demand for coffee, and comparatively limited competition in direct sailings from Brazil to the Adriatic and Russia, made it seem probable that in thus arranging the triangle satisfactory profits might be anticipated. While this scheme never materialized owing to the outbreak of the Russo-Japanese War, yet it is illustrative of the ingenuity that sometimes has to be exercised by shipowners in the effort to give their boats profitable employment.

South Africa is an example of a market that offers little, if any, return cargo. It is a big importing market, but its exports hitherto have been limited as to volume because there is little bulk freight such as cargo carriers must look for. They can by no means depend on shipments of gold dust, diamonds, and ostrich feathers. Though these commodities are intrinsically valuable, freight revenues thereon are insignificant. While the great company that almost monopolizes the passenger traffic between Great Britain and the South African Union maintains a large fleet of big, fast, modern steamers, it is enabled to do so from the passenger fares received and from the cargo business bound southward. The vessels return practically empty. Other ships com-

peting for this trade, after discharging cargo at South African ports, find themselves obliged to sail in ballast to some distant port to obtain cargo for their return voyage. So ships serving the New York-Cape trade have to work their way from Africa to Europe by way of India or Australia and come from Europe in ballast to New York again to get a cargo here for South Africa. It has been stated that the expense suffered by these steamers in coming from Europe empty to load South African cargo at New York amounts to at least \$6,000 per voyage.<sup>2</sup>

The routes taken by both steamships and sailing vessels are influenced by climatic and seasonal conditions. In some parts of the ocean trade winds are to be counted on with all the certainty of recurring seasons or of alternating night and day. Ocean currents, veritable rivers flowing between banks of water, are in some cases strong enough to affect seriously the progress of low-powered, slow, and heavily laden cargo carriers. Sailing ships, from their very nature, are forced to study scientifically the prevailing winds and currents in various parts of the ocean. It is for this reason that a sailing ship from the United States, destined for Brazil, will very likely be found, in the course of her voyage, close to the coast of Africa.

Steamships, while independent of the winds, must, to a certain extent, take account of ocean currents, but as a whole they may be said to lay their courses to accomplish their voyages over the shortest possible routes. Steamships estimate a voyage by knots trav-

<sup>2</sup> Proceedings of the Committee of the House of Representatives on Merchant Marine and Fisheries in the Investigation of Shipping Combinations, p 313

versed; sailing ships, by days at sea. The steamships, burning so much coal, seek the shortest possible route between terminals, the sailors merely try to make their voyage in the shortest possible time, since they must of course traverse many unnecessary miles in tacking against adverse winds or in seeking, sometimes through a long detour, a favorable trade wind.

In the North Atlantic trunk route the liners traverse well-defined lanes varying according to the season. The word "lanes," in its literal sense, is vividly descriptive of the routes laid across the ocean and bounded by certain well-defined degrees of latitude and longitude. They were first proposed by an American naval officer as tending to diminish risks of collision between ships traveling in opposite directions across the comparatively crowded North Atlantic. Such lanes run farther north in the winter than in the summer in order to take advantage of the short route via the great circle, while in spring and early autumn the lanes follow an intermediate course. This is done to lessen danger from floating ice, set free from arctic regions by the advent of warm weather. Since the loss of the *Titanic*, the established lanes have been marked somewhat farther south than before, during the season when icebergs are to be expected. The course followed by these North Atlantic liners is so well and widely understood that it is possible for the great fleet of fishing boats which gathers off the Great Banks of Newfoundland to avoid the course taken by the steamers.<sup>3</sup>

<sup>3</sup> The steamship routes adopted to take effect April 15, 1913, are officially described as follows

From February 1 to August 31, both days inclusive

Westbound—From Fastnet or Bishops Rock on a great circle to longitude 47 deg in latitude 41 deg 30 min., thence by either "humb

### 3. EXPECTED EFFECTS ON COMMERCE OF THE PANAMA CANAL

In considering ocean routes and mileage it must be remembered that the nautical mile or knot differs materially from the mile used on land, the statute mile. The latter is 5,280 feet in length, the nautical, 6,080 feet. Figure 10 gives a fairly comprehensive idea of the sea mileage by various routes between some of the principal ports of the United States and some of the most important ports throughout the world. While showing the variation in distance according to different routes followed, this table also serves to illustrate the saving to be effected by the Panama Canal. For example, in proceeding from New York to Shanghai steamers at present using the Suez Canal traverse 12,525 miles; if they proceed via the Cape of Good Hope the distance is 14,593 miles. By the use of the Panama Canal, however, it is possible to reach Shanghai after a voyage of only 10,649 miles. The saving in distance between New York and Sydney, New South Wales, is considerably greater—practically 4,000 miles over either the Suez or Cape of Good Hope routes, the two last being almost identical in distance.

line or great circle to Boston Lightship or a point south of Nantucket Shoals Lightship

Eastbound—From latitude 40 deg 10 min, longitude 70 deg, or from Boston Lightship, by rhumb line to longitude 47 deg. in latitude 40 deg. 30 min., thence by great circle to Fastnet or Bishops Rock

From September 1 to January 31, both days inclusive

Westbound—From Fastnet or Bishops Rock on a great circle to longitude 50 deg in latitude 44 deg, thence by either rhumb line or great circle to Boston Lightship or a point south of Nantucket Shoals Lightship

Eastbound.—From latitude 40 deg. 10 min., longitude 70 deg, or from Boston Lightship, by rhumb line or longitude 50 deg in latitude 48 deg., thence by great circle to Fastnet or Bishops Rock

To	ROUTE	FROM NEW YORK	FROM NEW ORLEANS	FROM SAN FRAN- CISCO
Bombay	Via Suez	8,120	9,536	
	Via Cape of Good Hope	11,250	11,848	
	Via Singapore			9,780
Buenos Aires.	Via Rio de Janeiro	5,868	6,318	
	Via Magellan		.	7,511
Callao ....	Via Panama	8,363	2,784	..
	Via Magellan	9,613	10,029	.
	Direct		.	4,012
Cape Town .	Direct via St. Vincent	6,720		.
	Via Panama			9,898
	Via Magellan			10,454
Gibraltar	Direct	3,195	4,553	.
	Via Panama			7,842
Hamburg .	Direct	3,510	5,101	
	Via Magellan			13,883
	Via Panama		.	8,355
Hong Kong .	Via Suez	11,678	13,081	..
	Via Panama	11,190	10,611	.
	Via Cape of Good Hope	13,590	13,863	
	Via Yokohama and Shanghai			6,086
Honolulu	Via Panama	6,702	6,123	.
	Via Magellan	13,312	13,728	.
	Via Tehuantepec	5,691	4,555	..
	Direct	.		2,097
Liverpool .	Direct	3,053	4,653	.
	Via Panama		.	7,830
	Via Magellan		.	13,502
London ..	Direct	3,222	4,812	.
	Via Panama			8,218
	Via Magellan			13,683
Manila ...	Via Honolulu	.		6,943
	Via Yokohama			6,289
	Via Panama ..	11,543	10,969	..
	Via Suez	11,589	12,947	.
	Via Cape of Good Hope	13,536	13,986	.

FIG 10—Distances from Ports of the United States to Some of the Principal Foreign Ports

To	ROUTE	FROM NEW YORK	FROM NEW ORLEANS	FROM SAN FRAN- CISCO
Melbourne	Via Suez	12,081	14,303	
	Via Cape of Good Hope	13,162	14,095	
	Via Panama	10,392	9,813	
	Direct			7,040
Montevideo	Via Rio de Janeiro	5,768	6,218	
	Via Magellan			7,611
Naples	Direct	4,155	5,502	
	Via Panama			8,602
New Orleans	Via Panama			4,704
	Direct	1,730		
New York	Via Panama			5,262
	Direct		1,730	..
Pernambuco	Direct	3,696	4,112	
	Via Panama			6,530
	Via Magellan			9,439
Rio de Janeiro	Direct	4,778	5,218	
	Via Panama			7,678
	Via Magellan			8,339
San Francisco	Via Panama	5,262	4,083	
	Via Magellan	13,135	13,551	
Singapore . . .	Via Suez	10,170	11,560	
	Via Cape of Good Hope	12,355	12,914	
	Via Shanghai, etc			7,502
Shanghai	Via Panama	10,649	10,070	
	Via Cape of Good Hope	14,593	15,526	
	Via Suez . . . .	12,525	13,883	
	Via Yokohama			5,550
Sydney . . .	Via Suez	13,320	14,678	
	Via Cape of Good Hope	13,743	14,676	
	Via Panama	9,811	9,232	..
	Via Honolulu, Samoa, and Wellington			
Valparaiso	Via Panama	4,633	4,054	..
	Via Magellan	8,380	8,796	..
	Direct			5,140

FIG 10—Continued

To	ROUTE	FROM NEW YORK	FROM NEW ORLEANS	FROM SAN FRAN- CISCO
Wellington, N Z	Via Suez	14,230	15,620	
	Via Cape of Good Hope	14,441	15,374	
	Via Panama	8,851	8,272	
	Via Honolulu and Samoa .	.	.	5,909
Yokohama	Via Suez	13,568	14,924	
	Via Cape of Good Hope	15,020	15,443	
	Via Panama and Great Circle	9,798	9,219	
	Via Honolulu			5,500
	Direct			4,536

FIG 10—Continued

The probable effect which the use of the Panama Canal route will have on the world's commerce has been so thoroughly discussed in extended reports to Congress and by repeated articles in the daily press and in the weekly and monthly magazines of the country that a long discussion seems unnecessary in this treatise. Statistics for the first six months' operation show that practically all expectations as to volume have been exceeded. A few probable tendencies may be indicated.

Before all else the Canal will benefit the shippers between the east coast and the west coast of the United States. Very likely it will contribute materially to the development of the west coast of South America and perhaps, ultimately, of both the Caribbean and Pacific coasts of Central America. There seems, however, a general disposition to exaggerate its effects in this regard, that is, on the Latin-American countries, particularly those on the west coast. The development that is hoped for in some of the more sparsely settled countries and districts

will undoubtedly be much slower than some enthusiasts have predicted.

On the other hand the fact is generally overlooked that the opening of the Canal has brought New Zealand and the principal ports of Australia and Japan more than two thousand miles nearer to New York and other Atlantic ports of the United States than to Liverpool and most other great European shipping points. In this fact resides the greatest promise for our manufacturers and merchants. The Panama route does not benefit shipping from Europe to Australia or to the Orient, the route via Suez is still the shorter and, for other reasons, the preferable route, New Zealand, only, having an advantage in miles. Manila, Hong Kong, and Shanghai are still nearer Liverpool than New York, despite the shortened voyage for our ships.

Liverpool (as a typical European shipping point) by patronizing the Panama route can gain in mileage only in the case of shipments to Japan. But since all the line traffic includes a series of calls and is not destined to one port only, it is probable that the established European lines will continue using the Suez route to Japan, calling at Hong Kong and Shanghai, while American ships for Manila will doubtless abandon present routes in favor of Panama, stopping at Yokohama, Shanghai, and Hong Kong, in spite of the slightly greater distance to Manila.

Hong Kong and Manila are nearly on the line that marks the division of advantage between the Panama and previous routes, so far as the United States is concerned; the old routes still have the preference in shipping to the Straits Settlements, British India, the



Dutch East Indies, etc. But all Australasia is nearer via Panama. The entire west coast of South, Central, and North America, from Coronel, in Chile, to Vancouver, in British Columbia, has been brought hundreds; even thousands, of miles nearer, not only to our own ports, but to those of Europe also. From three or four days to as many weeks may be saved to ships of all the maritime nations in using the Panama route on those voyages for which it offers an advantage in distance, the time saved depending, of course, on the speed of the vessel.

The comparative distances from New York and Liverpool to Australasia, China, and Japan via the Suez and Panama canals are represented in Figure 11

More important than distance or time saved may be the question of coal supplies and coal costs by the Panama route as opposed to those of alternative routes. Undoubtedly there will be ample facilities for coaling and cheap supplies at both ends of the Canal; moreover, several of the West India islands are planning to enlarge their coal depots. In addition, it is reported that the French Government is planning to develop facilities at Tahiti, which may become an important port of call on the Panama-Australasian route. But the rapid, and to some extent unexpected, advance in favor of oil-burning and internal-combustion engines on ocean ships may revolutionize plans hitherto proposed—may, indeed, have determining influence on the choice of routes.

In the opinion of the directors of the Suez Canal Company, "The Panama waterway is to be regarded as a complement, not as a competitor." Certain it is, however, that an enormous amount of commerce and trade

To	NEW YORK, VIA PANAMA CANAL		LIVERPOOL, VIA SUEZ CANAL		DISTANCE IN FAVOR OF NEW YORK + OR LIVERPOOL—
	PORTS OF CALL	DISTANCE	PORTS OF CALL	DISTANCE	
Wellington	Panama and Tahiti	8,851	Aden, Colombo, King George Sound	12,080	+ 4,138
Sydney	Panama and Tahiti	9,811	Aden, Colombo, King George Sound.	12,235	+ 2,424
Adelaide	Panama and Tahiti	10,004	Aden, Colombo, King George Sound	11,142	+ 238
Manila	Panama, San Francisco, and Yokohama	11,548	Aden, Colombo, Singapore	9,701	— 1,847
Hong Kong	Panama, San Francisco, and Yokohama	11,388	Aden, Colombo, Singapore	9,785	— 1,598
Shanghai	Panama, San Francisco, and Yokohama	10,880	Aden, Colombo, Singapore, and Hong Kong	10,637	— 202
Tientsin	Panama, San Francisco, and Yokohama	11,248	Aden, Colombo, Singapore, and Hong Kong	11,377	+ 129
Yokohama ..	Panama and San Francisco	9,708	Aden, Colombo, Singapore, and Hong Kong	11,078	+ 1,880

Fig 11 —Comparative Distances from New York and Liverpool to Australasia, China, and Japan via the Suez and Panama Canals

From *Panama Traffic and Tolls*, Report to Congress, 1912, by D R Johnson

This table presents some interesting facts to the seeing eye. It is worthy of thoughtful analysis. Distances are important, but they are not the only factor. The ports of call that may be made en route are often more determinative than distances. Business and not distance determines routes.

will be reorganized, perhaps redistributed. There are great opportunities awaiting the West Indies; a heavy tide of emigration to the west coast Latin-American republics will set in if the several governments will only so alter sanitary and economic conditions as to tempt immigration; the establishment of a number of around-

the-world steamship services is almost a certainty; with improved Australasian connections, New York may rival London as a wool center; United States coal exports ought to grow by leaps and bounds to figures approximating those of Great Britain. These are some of the surest results anticipated from our great work at the Isthmus

The Suez Canal opened a new trade empire to the commerce of Europe. In spite of transportation changes and the competition of the Trans-Siberian Railway, it still more than holds its own after forty-three years of operation. Its profits in 1912 were nearly \$18,000,000, the largest on record; during this year 5,373 vessels passed through it. For some time to come the traffic through the Panama Canal probably will not equal that at Suez. The future may depend on the regulations and administration provided by the Congress of the United States.

What Panama means to the United States, to the people of the interior, no less than the people of the seaboards, Pacific, Gulf, and Atlantic, might be the text for a big and great book

#### 4 TRANSSHIPPING SERVICES

The successful export traffic man must have an intimate knowledge of geographical conditions. Not only must he know where and what the leading foreign ports are and how they may be reached, but he must also study the best, quickest, and cheapest ways of landing his goods at ports of less importance and of delivering them at such ports as are most favorably situated in relation to interior places.

A few months ago an American house properly marked a motor boat for Bagdad, but shipped it to Smyrna. At

Smyrna the boat was farther from Bagdad than it was before it left New York. What that exporter thought would happen to his shipment when it got to Smyrna, history does not say. Perhaps he thought it would be hauled overland—across mountains and deserts, a small matter of thirty days' travel or thereabouts. A fascinating study, this of the world's geography and shipping—a story of steamships and schooners and lighters; of river boats running a thousand miles back from ports into the interiors of countries we think of as wild, of great rail systems and trains of pack mules, camels, or llamas, of pianos carried inland on men's shoulders at a cost of \$300 each. Plain geography is the basis of it all. The foreign shipper must study geography with a new interest.

Practically all important seaports the world over are reached by direct steamers from some port of the United States. All other ports of minor, even of the smallest, importance are reached by American merchants through connecting services, transshipping from the termini of direct lines from the United States. A very large transshipment trade in goods of European origin is done at the port of New York, just as there is a large transshipping business in American goods at the port of Hamburg.

Philadelphia has no direct sailings to Australia, hence Philadelphia manufacturers, in shipping goods destined for Australian customers, must either forward their goods to New York to be shipped thence by direct steamer, or they may patronize steamers sailing from Philadelphia to Liverpool, London, or Continental ports, transshipping at these points to other lines bound for Australia, always on through bills of lading, it must be understood. Similar conditions exist in shipping from other American cities to various markets and in the case

of foreign shipments coming into places in the United States not reached by direct ships, even though they may be seaports

As a general rule, transshipment is to be avoided whenever possible, because of the danger of damage involved in extra handling, and because it usually entails loss of time. There are cases, however, where a transshipping service is equally as satisfactory as a direct service

In the Australian trade, the White Star Line plying between the several ports of the United States, which it reaches, and Liverpool or Southampton, England, competes with the direct steamers sailing out of New York for American freight destined to Australia. Rates from New York through to Australian points, by transshipment from the White Star boats sailing from this side to White Star boats at Liverpool plying via the Cape of Good Hope to Australia, are at this writing actually lower than rates quoted by slower direct vessels between New York and Australian ports

All of the great lines sailing from American ports offer a great variety of transshipping connections. The Hamburg-American Line, for instance, publishes a hand-book of ports reached via that line by transshipment at Hamburg. The list includes about one thousand ports in all parts of the world. By way of specific example, it may be mentioned that it enumerates more than one hundred ports on the Baltic Sea alone that can be reached on through bills of lading by transshipping from Hamburg-American boats to subsidiary or connecting services at the home port of Hamburg. Practically the same thing is true of lines terminating at Liverpool or almost any other of the world's great ports.

The choice of routes open to a shipper is therefore wide

and usually depends on rates quoted, quickness in transit time, or, sometimes, on insurance premiums necessitated. A merchant in New York wishing to ship goods to Constantinople, for example, will find direct steamers between New York and that port; or he may ship, probably at the same freight rate, by Italian lines from New York to Naples and Genoa, transshipping thence to Constantinople; or he may patronize the Austrian Lloyd line plying from New York to Trieste and thence transshipping to the Levant services of the same line, or he may ship to Liverpool, obtaining transshipment thence to lines plying through the Mediterranean and Black Sea; or he may ship to Hamburg, and even in this roundabout service, by means of the Levant Line from Hamburg, reach Constantinople as cheaply, although not so quickly, as by the steamers direct from New York to Constantinople.

Freight rates on through bills of lading that involve transshipment are almost always reasonable, sometimes surprisingly cheap. In making the combination, rate allowances deemed necessary to tempt shipments or to meet competition may be absorbed in the usual rate of the initial line or they may be divided by the two lines involved. Through bills are not always issued, however, even to ports listed as ordinarily reached; the quantity and character of the shipment tendered occasionally affects the disposition of the initial line in this respect. Transshipping charges are almost always included in the through rate, but large or heavy pieces that involve special handling are exceptions, for them the companies are sometimes unable to estimate transshipping costs and in such cases these charges follow to the consignees.

A few suggestions concerning the principal lines existing prior to the outbreak of the European War may be

given to the reader who has hitherto paid little attention to the subject. It should be remembered that the services advertised are subject to frequent changes.<sup>4</sup> Further, it may be observed that ships are frequently advertised to sail for such and such ports "if sufficient inducement offers." This expression will not be noticed in the case of the big lines to Europe, for example, but may often be encountered in examining sailing lists for the West Coast of South America, the East Indies and the Far East, etc.

In the former case a ship sailing for the general destination of the West Coast will probably take out a cargo composed chiefly of goods to be discharged at Valparaiso and Callao, whether she will call at Antofagasta, for instance, may depend on how much cargo is tendered for that port. Obviously, it would not pay a ship to call at any one of the numerous ports of comparative insignificance along that coast merely to put ashore one case of boots and shoes and two cases of hardware; nor is the commerce of such ports regular enough to warrant including them in a line's fixed itinerary. When, before sailing, a vessel decides that sufficient inducement has not been offered to make a given call worth while, then intending shippers to such a port must either forward to a nearby point to be transshipped to destination or, if that is impossible, hold the shipment for the next opportunity—a contingency which importers at such points are quite prepared to accept

<sup>4</sup> Full lists with sundry particulars required for constant reference by actual shippers, are to be found in the American Exporters' Export Trade Directory, or in the Exporters' Encyclopedia, which has a wealth of details especially valuable to those who are located at seaports and who make their own shipments

## 5 OCEAN SERVICES FROM REPRESENTATIVE AMERICAN PORTS <sup>5</sup>

### *(a) Steamship Lines from New York*

Great Britain is reached by no less than eight different but regular steamship lines sailing from New York direct to Liverpool, Southampton, London, Bristol, Swansea, Manchester, Hull, Newcastle, Leith, and Glasgow, with occasional steamers for Newport and Cardiff.

Belgium is reached by two direct lines from New York to Antwerp; Holland by three to Rotterdam

There are only two lines plying from New York to Germany, terminating at Bremen and Hamburg, respectively. These two lines, however, afford from nine to twenty sailings a month, according to traffic

From New York to Denmark there is but one direct line, which also touches at Christiania, Norway. There is a newly established direct line from New York to the latter port, but Sweden is at present reached by trans-shipment

Only one regular line connects New York with Russia, terminating at Libau. Occasional sailings for Odessa and other ports on the Black Sea are noted.

France is reached from New York by three regular lines, which land cargo at Havre, Dunkirk, Bordeaux, and Marseilles

Lisbon, Portugal, is reached by two lines sailing from New York; the Spanish ports of Cadiz, Barcelona, and Valencia, by three lines with occasional sailings at irregular intervals for other ports.

Fifteen regular lines connect New York with ports of

<sup>5</sup> As they existed under normal conditions prior to August 1, 1914. Following the outbreak of the European war some services were suspended, others radically altered.



Italy, principally Naples and Genoa, with some calls at Leghorn, Venice, Messina, and Palermo

Communication between New York and the Austro-Hungarian ports of Trieste and Fiume is maintained by two direct steamship lines, and two other lines connect New York with Piraeus, Greece, while another calls monthly at Patras, Greece. Ports of Turkey, particularly Constantinople and Smyrna, are reached from New York by three direct lines of steamers.

The ports of British India—Karachi, Bombay, Madras, Calcutta, Rangoon, and Colombo—are connected with New York by two direct regular lines, while all of the lines plying to the Far East from New York touch at Singapore.

China and Japan are reached by the same steamship lines from New York, five in number, calling at Hong Kong, Shanghai, Kobe, and Yokohama, with occasional sailings for other Japanese points. The same lines also touch at Manila and have occasional direct sailings for other ports of the Philippines, notably Cebu and Iloilo.

Three steamship lines from New York sail directly to ports of Australasia, including Freemantle, Adelaide, Melbourne, Sydney, Brisbane, Auckland, Wellington, Lyttelton, and Dunedin.

Ports of South Africa are reached from New York by five lines of steamers, usually calling at Cape Town, Port Elizabeth, East London, Durban, and Delagoa Bay.

Between New York and Brazil there are six direct lines of steamships reaching all of the principal ports, one of the lines also extending its service up the Amazon as far as Manaus.

The River Plate territory, including Buenos Aires, La Plata, and Rosario in the Argentine Republic, and Monte-

video in Uruguay, is reached by six direct lines of steamers from New York; two other lines engaged chiefly in the trade with the West Coast of South America call at Bahia Blanca, Argentine Republic.

New York is connected with the west coast of South America, including the principal ports of Chile from Punta Arenas in the Strait of Magellan north to Peruvian and Ecuadorean ports, by three direct lines

To Mexico there are but two direct lines from New York, these lines serving ports on the Gulf from Progreso to Tampico.

There is a direct steamship service from New York to Port Limon, Costa Rica; another to Puerto Cortez, Honduras; one to Belize, British Honduras; and four regular services to Panama, touching at Colon or Bocas del Toro.

The northern coast of South America is reached from New York by three direct lines, which touch at Cartagena, Savanilla (port of Barranquilla), and Santa Marta in Colombia; two lines touch at the principal ports of Venezuela, three lines reach British Guiana; and one calls at Paramaribo, Dutch Guiana.

New York also has regular communication by a number of direct steamship lines with all of the Windward and Leeward Islands, including Trinidad and Barbados, and several services to various ports of Cuba, four lines serving ports of Porto Rico, four reaching the island of Jamaica, two touching at Haitian ports, and one plying to the Dominican Republic

*(b) Steamship Lines from Portland, Maine*

From December to April, inclusive, when their ordinary Canadian terminal ports are closed on account of ice,

three lines sail from Portland, Maine. These are the Allen Line to Glasgow, the Dominion Line to Liverpool and Bristol, and the Thomson Line to London and Naples.

*(c) Steamship Lines from Boston*

There are nine direct steamship lines from Boston to ports of the United Kingdom; one line to Antwerp; one to Hamburg; one to Stettin; two to Christiana, Norway, and one to Copenhagen, Denmark; one to Holland; one to Genoa and Naples; one to Havana, Cuba, one to Port Limon, Costa Rica; one to River Plate ports; one to China and Japan; and two to Nova Scotia.

*(d) Steamship Lines from Philadelphia*

Philadelphia has direct steamship communication with ports of Great Britain by seven steamship lines; one line plying to Antwerp, Belgium, another to Hamburg, Germany, one to Rotterdam, Holland; two to Christiana, Norway, and Copenhagen, Denmark; one to Genoa and Naples, Italy; two to Jamaica; and one to some Cuban ports

*(e) Steamship Lines from Baltimore*

Baltimore is connected by five lines of steamers with ports of the United Kingdom, by two lines with ports of Germany, by one line with Holland, by one with Belgium, by three with France, by one with Christiana and Copenhagen, and by two lines to Jamaica, one to Cuban ports and one to Colon, Panama.

*(f) Steamship Lines from Newport News and Norfolk*

Two direct steamship lines connect Newport News and Norfolk, Va., with British ports; two lines ply to Holland; two to Germany; and one to Vera Cruz, Mexico.

*(g) Steamship Lines from Savannah*

There are eight steamship lines operating on somewhat irregular schedules, dependent on the season, from Savannah to various ports of Great Britain and the continent of Europe, including Scandinavia, Germany, Holland, Belgium, France, Spain, Italy, and Austria-Hungary.

*(h) Steamship Lines from Mobile*

Mobile boasts eleven or twelve steamship lines plying at varied intervals direct to British, German, French, Dutch, and other European ports; to Vera Cruz and other Mexican ports; to Cuba, Panama, Costa Rica, Honduras, British Honduras, Guatemala, Jamaica, Haiti, Trinidad, Barbados and other West Indian Islands, and Demerara.

*(i) Steamship Lines from New Orleans*

From New Orleans there are twenty or more lines to Europe, including Great Britain, France, Belgium, Holland, Germany, Denmark, Norway, Sweden, Spain, Portugal, Italy, and Austria; three lines to Mexico; one to Porto Rico, two to Honduras; two to Nicaragua; one to British Honduras; one to Guatemala; one to Costa Rica; one to Panama; two to Cuba; one to Jamaica; one to

Brazil and the River Plate; and one to the Far East. Five or six of the European lines carry passengers as well as freight, but the sailings of many are irregular, although usually frequent during the cotton season.

*(j) Steamship Lines from Galveston, Texas City, and Port Arthur*

There are about twenty-five steamship lines sailing at regular or irregular intervals from Galveston, Texas City, and Port Arthur to England, France, Germany, Belgium, Holland, Spain, Italy, Austria, Denmark, Norway, Sweden, and Denmark, one line to Cuba; one to Jamaica; two to Mexico; and one to Porto Rico.

*(k) Steamship Lines from San Francisco*

From San Francisco four steamship lines reach Hawaii; two sail to China, Japan, and the Philippines; four ply to ports of the west coast of Mexico and Central America; three reach ports of the west coast of South America; three reach ports of Europe including Antwerp, London, Liverpool, Glasgow, Hamburg, and Dunkirk; and one reaches Australasian ports.

*(l) Steamship Lines from Seattle and Tacoma*

From the Puget Sound ports there are two steamship lines plying to Hawaii; two to Australasia; and four to Japan, China, and the Philippines. In addition, there are four lines to Great Britain and the continent of Europe and three calling at ports of the west coasts of Mexico, Central America, and South America.

## TEST QUESTIONS

1. In what sense can the words "trunk line" be applied to ocean routes?
2. Explain the chief characteristics of the North Atlantic route.
3. Why do not sailing vessels use the Suez Canal for Oriental trade?
4. What are some of the important features of the Mediterranean and Oriental routes?
5. What are some of the most important ports on the South African route?
6. Explain what is meant by the triangular voyage on the South American route.
7. In what ways does the Caribbean route differ from the other oceanic routes?
8. Trace the main ports on the East Asia-American route.
9. Why has shipping been irregular on the North and South Pacific route?
10. Explain how steamship companies attempt to arrange profitable routes.
11. What is the difference between a statute mile and a nautical mile?
12. What are some of the most important routes whose distances are affected by the Panama Canal?
13. Why, if Liverpool is nearer to Japan by way of the Panama Canal, will ships from Liverpool probably continue to use the Suez route?
14. Why is the question of coal supplies and coal costs important with reference to the Panama route?
15. What are some of the chief advantages which the port of New York may expect from the Panama Canal?
16. What are some of the most important points to observe in transshipping facilities in sea borne traffic?
17. Mention some instances in which transshipment may actually be cheaper than direct service.
18. What are the advantages of through bills of lading?
19. Under what conditions are transshipping costs charged to consignee?
20. In what connection is the phrase "if sufficient inducement offers" used in steamship-line advertising?

## CHAPTER VI

### CHARTERS AND OCEAN FREIGHT RATES

#### 1. THE ECONOMY OF TRANSPORTATION BY WATER

Few people, except those closely associated with ships, realize the enormous quantity of freight required to fill the holds of a modern steamer. Take as an example a cargo vessel rated as of 6,000 gross tons, with a dead weight cargo-carrying capacity of 10,000 tons, and disregard (though impossible, practically) the variation in freights composed partly of heavy and partly of light but bulky goods. The average load of a freight car in the United States in 1912 was 36 tons. On this basis the steamship in question would absorb into her holds the contents of more than 310 box cars, or anywhere from ten to thirty ordinary train loads. Perhaps some actual examples will illustrate the enormous carrying capacity still further. The steamship Iowa sailed from Galveston for Bremen on September 26, 1913, carrying 22,500 bales of cotton weighing 11,925,000 pounds, or almost 6,000 tons, the ordinary load of 375 railway freight cars. On October 4, 1913, the San Gregorio, the largest oil carrier afloat, sailed from New York for Rotterdam with 14,200 tons of refined petroleum, or more than the contents of 530 standard tank railway cars.

It has been stated in New York shipping circles that the cost of transporting one ton of freight one mile by water averages only seven-eighths of a mill, while by rail the cost averages 848 times as much, or 74 mills. A

paper read before the Institution of Civil Engineers in England demonstrated that in that country the sea-borne cost was only one thirty-fifth of the rail cost, which is 154 pence per ton per geographical mile for mineral trains. An American Consular report<sup>1</sup> dealing with the question of rail and ocean freight rates quotes from the British Board of Trade Journal some rates on various commodities in Germany. Taking machinery as an example, it is shown that when shipped in not less than ten-ton lots the rate per 100 pounds from Frankfort to the port of Hamburg, a distance of 333 miles, is about 14 cents, while the rate on the same goods by steamship from Hamburg to Melbourne, Australia, a distance of 11,000 miles, is 43 cents per 100 pounds.

Some time ago South African importers, complaining of ocean freight rates from England, were confronted with the evidence that rates on iron from the United Kingdom to Durban, a distance of about 7,000 miles, were (at that time) 25 shillings per ton, while the rail rate inland from Durban to destination (Kimberly), a distance of 483 miles, was 110 shillings, or about four and a half times as much for the short-rail haul as for the ocean haul, which was fourteen or fifteen times as long. As an example of the economy in ocean freight rates, even for small parcels, the experience of a Chicago boot and shoe manufacturer may be cited. He found that at the carload rate it would cost him about \$1.20 to transport 48 pairs of men's shoes by rail from Chicago to New York, a distance of 912 miles, while, even at the exceptionally high rates of ocean freight recently ruling, the rate for the same shoes from New York to London, a distance of 3,222 miles, was but little more, viz., about \$1.32.

<sup>1</sup> Daily Consular and Trade Reports, July 23, 1913, page 436.



## 2 BASIS FOR OCEAN FREIGHT RATES

Before entering upon any consideration of ocean freight rates it is necessary to understand clearly the basis on which they are made. In ordinary rail shipments in the United States the long ton has long since fallen into disuse.<sup>2</sup> However, in the great majority of instances in ocean transportation, it is assumed to be understood universally that a ton is a long ton and consists of 20 hundredweight (cwt) of 112 pounds each, a total of 2,240 pounds.

Americans unfamiliar with English terms and practices, which rule in the shipping trade over the long routes, barring only certain few exceptions, for the most part frequently make the mistake of calling and sometimes even quoting prices per hundredweight, meaning thereby 100 pounds. This is more than likely to lead to serious misunderstandings in negotiations with foreign customers. Hundredweight should never be used to represent 100 pounds. It is necessary in studying sea borne traffic with foreign ports to learn thoroughly the difference in terminology and the varying equivalents of foreign, especially English, denominations. Not only must the long ton be understood, but American shippers or importers must learn that the English or Imperial gallon is one-fifth larger than the American gallon. Again, that Europeans in speaking of carloads usually mean thereby from 10 to 15 tons, their railway freight cars being small and light as compared with ours.

Furthermore, terms in English currency have to be used constantly and their equivalents in American money

<sup>2</sup> There are certain commodities moving by rail that always take the long ton, but they are few in number

should be studied. The English pound sterling, divided into 20 shillings of 12 pence each, is usually, in steamship practice, taken as the equivalent of \$4.86 or \$4.87, unless otherwise specifically stated. For quick and rough conversion it may, however, be called \$4.80, making the value of each shilling 24 cents and of each penny 2 cents. This conversion, however, must not be followed in actual computations, except when warranted by ruling rates of exchange.

Frequently, when a steamship company is asked for a quotation of freight rates it names a rate "per ton, weight or measurement, ship's option." This means that the freight will be assessed either per ton of 2,240 pounds or per measurement ton of 40 cubic feet,<sup>3</sup> whichever may be found to be more advantageous for the ship, that is, bring in the larger revenue. If, in steamship parlance, a package "measures more than it weighs," that is, if its weight is not so much as 56 pounds to the cubic foot, then the freight rate will be per ton of 40 cubic feet. Since comparatively few commodities "weigh more than they measure," it follows that the great majority of ocean freight rates are based on the measurement and not on the weight ton.<sup>4</sup>

<sup>3</sup> The measurement ton is 50 cubic feet in shipping by sailing vessels. The cubic contents of a package are found by multiplying together the length, breadth, and thickness in feet and inches. The result is expressed in cubic feet and twelfths of a cubic foot. Thus 11<sup>9</sup> means 11 cubic feet and 9/12 of a cubic foot, or 9 inches. Books of tables are published by the aid of which cubical contents may readily be found without the necessity of actual calculation. The greatest dimensions of a package in each direction are always taken. Packages of irregular shape are measured to result in the largest cubical contents possible; no compromise or "average" dimension is possible.

<sup>4</sup> Curiosity is often manifested as to the origin of the measurement ton of 40 cubic feet accepted in the shipping trade as the equivalent of the ton weight of 2,240 pounds. This practice seems to have arisen

The practice just explained, although common enough still, seems likely to be abolished gradually. Less than ten years ago it was virtually the only distinction made by steamship agents as to general cargo in trans-oceanic trades. With the exception of West Indian and Central American ships, hardly a line sailed from New York that did not accept general cargo either as "measurement" goods or as "weight" goods. This was almost the only distinction made, without reference to the character of the commodities involved—shoes, furniture, and machinery were all taken as "measurement" freight, indiscriminately.

One of the first innovations introduced was a rate per barrel on cotton seed oil. The practice of quoting per package or per other unit has gradually become more general, until today the shipper of cotton piece goods in bales to China pays freight in cents per 100 pounds, a quotation which would have paralyzed the old-timer with astonishment. Today a bill of lading for a mixed shipment may show six or eight or a dozen different rates of freight applying to the various packages and commodities represented, all of which, ten, even six or eight years ago, would have been lumped together at one rate, without discrimination. Similarly, the number of lines calling the ton 2,000 instead of 2,240 pounds, or (what is the same thing) quoting per 100 pounds and extending

because in early days it was found that a ton weight of Russian wheat occupied 40 cubic feet, Russia at one time having been the chief source of Great Britain's wheat supply. Mr. Frank Andrews, in his article on *Ocean Freight Rates and Conditions Affecting Them*, published as a Bulletin of the Department of Agriculture, states that "In the case of wheat, a measurement ton of the average quality produced in the United States equals from 82 to 85 per cent of a ton in weight, since 40 cubic feet contain on an average from 1,850 to 1,900 pounds of this article."

the application of "weight" rates to freight formerly taken only by measure, seems to be increasing.

There is absolutely no uniformity, however, in steamship practice in regard to these matters. One and the same line quotes some rates in shillings per long ton or per 40 cubic feet and other rates in cents per foot, per unit, per package, or per 100 pounds, while another line reverses the practices of the first in some or even in all respects. Present conditions in ocean freights can only be described as chaotic, although there are a few lines that have more or less scientifically scheduled commodities. These are referred to again later in this chapter.

The example of the German lines, the rapid increase in the foreign commerce of the United States, and a desire to cater to shippers with familiar terms, and, in the case of Oriental and Australasian trade, the competition of the trans-continental rail lines, have all tended to hasten the changes from the old and eminently unscientific methods.

The Germans in the North Atlantic trade were the first to classify freights, making six divisions in the trade from Germany to the United States, as shown in the accompanying reproduction of a page from a recent handbook. Classes and rates shown apply solely to goods imported into the United States from Germany, nothing of the sort being published governing shipments in the reverse direction, *i. e.*, from the United States. It will be noted that rates are quoted in dollars per cubic meter—dollars, apparently, for the information of the American importer and meters, probably, for the convenience of the ship. This is a perplexing and needless variation that is characteristic of the whole ocean freight situation.

But some German lines have gone much farther. The

German Levant Line and the German East African Line, in connection with the German state-owned railways, and doubtless through arrangements not unconnected with the actual subsidies received by those lines, publish thick and elaborate volumes giving through rates of freight, applying to shipments of various sizes from interior manufacturing points in Germany to ports in the Levant or in German Southeast Africa. Thus, a manufacturer of hosiery in Chemnitz knows exactly what the freight will be on a case containing, say, a hundred dozen stockings from Chemnitz to Beyrouth, Syria, and can prepay the through charge and secure a through bill of lading at his railway station in Chemnitz. It is the same with all principal German products from prominent inland towns to ports of any importance in the territories covered by the two lines named and for shipments of from 50 kilos (about 100 pounds) upwards. However, while convenient for reference, the rates do not impress one as being remarkably low and German trade, though growing, has not been developed in these directions at an abnormal rate. None the less so theoretically perfect a scheme has nowhere else been attempted.

The increase in our own country's foreign trade and the unfamiliarity with the old terms of the shipping trade on the part of many of our manufacturers and merchants, particularly in the interior where steamship agents have at times directly solicited business, together with the desire of some rail trunk lines to increase through foreign bill of lading traffic, have probably contributed to the harmonizing of ocean freight methods with those customary in this country.

The third factor that has tended to break down old methods is the rather acute competition in shipping to

# Bremen to New York.

## A. For goods shipped by Mail steamers.

1st class, \$ 2 50 per cubic meter.

Basket-ware, hollow glass and ordinary Bohemian glass-ware

2nd class, \$ 3 — per cubic meter.

Accordeons, Albums, enamelled hollow-ware, empty tin-boxes, artificial flowers and fancy feathers, hemp-bags, harmonicas, ordinary wooden-ware, furniture (Vienna bent), toys, crockery, straw-goods, earthen-pipes, earthen ware

3rd class, \$ 3.50 per cubic meter.

Beer, bitters, brandy, tin-goods, dried flowers and plants, brushes (ricestraw, piassava and from other vegetable materials, and wire-brushes), card-board, chromos, ordinary iron-ware, yarns, jute-ware, incandescent light-mantles, fine wooden-ware, paste-board, buttons, music-instruments (trumpets, drums and stringed instruments), oil-prints, wall-paper, polishing-paste, picture-postcards, clocks of the Black Forest and metal-clocks, Berlin wool, zinc-castings.

4th class, \$ 5 — per cubic meter.

Essential oils, ribbons, cotton goods, amber, trimmings, buds, bulbs, books (printings and pamphlets), brushes, drugs, fine iron-ware, prepared skins (not destined for manufacturing furs) in cases and bales, fancy goods, curtains, fine glass-ware, rubber-goods, half-silks, gloves (glacé-gloves excluded), pianos, grocery, Berlin dry goods, preserves, corsets, crystal-ware, artificial-silk, hardware, leather in cases, leather goods, Linen goods, liquors, majolica-ware, machines, meerschaum, knives, metal-ware, furniture, music-boxes, organs, perfumeries, living plants, china-ware, lace-ware, scissors, hams, chocolate and chocolateware, hosiery, carpets, clothes, household-goods, wine in cases and casks, woollen goods, cigars and cigarettes, sweets.

5th class, \$ 7 50 per cubic meter.

Apothecary goods, champagne, quinine, instruments (chirurgical, astronomical etc.), chemical salts, glacé-gloves, velvet-goods, silk-goods, laces, silk stockings, arms, sausages, periodicals

6th class, \$ 10.— per cubic meter.

Merchandise, manufactured goods, mode- and dress-articles, human hair

## B. For goods shipped by Express steamers.

The Freight for goods of the classes 1 to 5 of the foregoing tariff is \$ 7.50, and for goods of class 6 \$ 10 — per cubic meter.

Rates of freight for packages weighing more than 1000 kilos or of extraordinary dimensions, for dead-weight cargo, or for goods not mentioned in the above tariff, to be specially agreed

The freight for parcels is 20 Pf. per cubic decimeter (1/1000 — per cubic meter), minimum 1/2 — per parcel.

Freight for paintings and objects of art, goldware and silverware, precious stones, ivory, jewellery, specie, precious metals and other articles of value will be charged according to their value. No bill of lading will be signed at a lower rate than \$ 35 — per cubic meter The value must be proved by consular invoice.

No bill of lading will be signed for less freight than \$ 3.—

The above rates are understood to be net, without rebate or bonus.

China, Japan, the Philippines, and Australasia that existed prior to the recent rate advances and still exists from Middle Western points, between trans-continental rail lines in connection with Pacific steamers and direct steamship lines from New York. This severe competition may have influenced practices on the Atlantic seaboard as to ocean freight quotations, revising old practices to bring them on a par with the customary practices of the American railways.

Whatever may be the causes for changing methods in freight rates, classifications, and quotations, which it is clear are constantly growing, it should not be forgotten that there is as yet no uniformity in practice even so far as our own country is concerned. While it may be noted that although a finer classification of commodities shipped from England and Europe generally preceded any attempt at classification on this side of the Atlantic, classifications are now much the same, thanks to the influence of conferences. Yet, some American practices (per 100 pounds, for example) are not customary in other countries. As will be gathered from the accompanying rate sheets, the American shipper must be prepared to despatch his freight under a variety of terms and conditions.

### 3. TWO KINDS OF RATES

The modern exporter is dependent altogether upon steamship lines rather than upon tramp steamers, except in the case of certain bulk commodities like grain, coal, lumber, etc. His dependence on the liners will probably increase with the continued increase of our export trade in manufactured goods, especially as tramp ships, grow-

ing constantly in size, come to be more and more beyond the reach of the ordinary merchant. We have, therefore, to consider two kinds of ocean freight rates: (1) Those per hired, i e., chartered, vessel; and (2) those per liner, on small, less-than-cargo quantities, frequently referred to as "general cargo."

#### 4 SHIPMENTS PER CHARTERED VESSEL

In chartering a vessel a shipper virtually leases it from its owners. He may do this in several different ways. He may charter the ship for the voyage, that is, for either a single or a round trip and to or from some definite port, or he may charter a vessel on time—for three months, six months, twelve months, or any other period. In trip charters the shipper usually agrees to pay a given price per ton on the cargo or in the case of grain the price may be per bushel, per hundred, or per quarter. If the vessel is chartered on time, the rate is usually so much per ton per month, based on the net register tonnage of the vessel, that tonnage, as we have already seen, being on the basis of 100 cubic feet to the ton, which is altogether different from the other forms of tons used in regard to cargo.

In trip charters the owner of the vessel usually pays all of the expenses of the operation of the ship, including even port charges, while the shipper pays nothing except the freight charges that have been agreed upon. In time charters a variety of conditions may apply, but ordinarily the owner of the ship supplies the crew and provides food and maintenance and keeps the ship in repair, while the charterer furnishes the fuel and pays the port and terminal charges.



Time charters are not favored by experienced shippers because of the risks which are assumed. Every delay at sea, every bad day in port, every strike, or detention in loading or discharging port, means just so much a day against the shipper.

Undoubtedly there are occasions when time charters may be considered by shippers cheaper or more desirable than trip charters. Engagements, naturally, always depend upon circumstances surrounding each special transaction. Nevertheless, a trip charter eliminates the element of risk from the calculations of a shipper. The trip charter is by long odds the more common form and usually is made for the outward trip only, the ship being surrendered to the control of its owners when unloaded at port of destination.

## 5. CHARTER PARTY

The document which forms the contract between the shipowner and the man who leases the ship is known as the Charter Party. There are scores of forms which these documents take, sometimes depending upon the choice of individual owners, sometimes following rules laid down by trade organizations, or otherwise, as applying to certain branches of commerce. For example, we have approved forms of grain charters devised by the New York Produce Exchange and other standard forms for coal, cotton, lumber, and other commodities.

Among the many clauses of the Charter Party, that relating to "lay days" should be noted. This refers to the time allowed to the charterer for either loading or unloading, sometimes both, but usually to the number of days allowed for loading. Ordinarily, these days are cal-

culated from 24 hours after the captain has given written notice to the charterer that the vessel is ready to load. These lay days are sometimes described as "running days" and sometimes as "working days," and there is a difference which it is important to observe. Running days are consecutive days, while working days are such as are usually devoted to work at the place where the vessel is loading, Sundays and public holidays being omitted. In most charter parties it is stipulated that a certain number of days' demurrage shall be allowed over and above the fixed number of lay days, on payment of a stated sum of so many pence per register ton per day. This is intended to compensate the owner for loss of wages, insurance, provisions, etc., when the vessel is delayed in its loading.

Sometimes it is agreed that "dispatch money" at a stated rate per day shall be paid, that is, that the charterer is to receive the sum stated for every day saved in loading, out of the number of lay days specified in the charter party. In the case of coal charters, it is frequently stipulated that a certain number of tons per day shall be loaded or discharged, or if not, that demurrage shall be paid. If the charterer is unable to ship as much cargo as the vessel is able to take, freight must nevertheless be paid on deficiency, or what is called "dead freight."

Freight is usually paid at the port of discharge but frequently it is paid in advance at the port of loading, depending partly on custom and partly on agreement. When paid abroad, the sum involved, in terms of English Sterling money, is usually reckoned at "the current rate of exchange for sight bills on London." The shipowner is bound to take proper care of the goods loaded on board

**This Charter Party, made and concluded upon in the City of NEW YORK, the**  
**day of** \_\_\_\_\_ **in the year of our Lord one thousand nine hundred and**

**between** \_\_\_\_\_ **Agents for Owners of t**  
**Steamship called the** \_\_\_\_\_ **of**  
**classed** \_\_\_\_\_ **at** \_\_\_\_\_ **Lloyds of the measurement of** \_\_\_\_\_ **tons net register, or then**  
**now** \_\_\_\_\_ **of the fi**  
**and** \_\_\_\_\_ **of the seco**

**Witnesseth, that the said party of the first part agrees on the freighting and chartering of the said steamer (with the exce**  
**the cabin and necessary room for the crew, and the storage of provisions, sails, fuel and cables), or sufficient room for th**  
**hereinafter mentioned, unto said party of the second part for a voyage from**

**or so near thereunto as she may safely get and there deliver her cargo on the terms following**

1 The said steamer shall be tight, staunch, strong and every way fitted for such a voyage, and receive on board during the at  
 voyage the merchandises hereinafter mentioned; and no goods or merchandise shall be laden on board otherwise than from the sai  
 of the second part or Agent.

2 The said party of the second part doth engage to provide and furnish to said steamer a full and complete CARGO OF COA

and to pay to said party of the first part, or Agent, for use of said vessel during the voyage aforesaid, \_\_\_\_\_  
 and \_\_\_\_\_ pence per ton of 2,240 lbs of Coal Bill of Lading quantity, payable in  
 Sterling or its equivalent at the rate of \$4 80 to the £ Sterling, free of discount or interest, upon delivery of cargo Charterers are n  
 liable for freight on cargo lost or jettisoned

3 Charterers to pay freight in New York upon delivery of the cargo at discharging port less the amount required by Capt  
 disbursements at discharging port, which amount charterers agree to furnish Captain free of charge

4 The act of God, restraint of Princes Rulers, and people, fire and all and every other dangers and accidents of the sea  
 and steam navigation of what nature and kind soever, riots, and strikes of pitmen, and all and every other unavoidable hindrance  
 may prevent the loading and delivery during the said voyage, always mutually excepted

5 Cargo to be loaded and discharged in \_\_\_\_\_ ( ) running days, Sundays and legal )  
 excepted Lay days are to commence twenty four hours after steamer's entry at Custom House both at loading and discharging po  
 vided steamer then ready to load or discharge Steamer to work at night if required

6 Steamer to pay charterers or their agents despatch money at the rate of five cents United States gold per net register ton  
 for each lay day not used

7 Also that for each and every day's detention by default of said party of the second part, or Agent, ten cents U S Gold  
 register ton per day, day by day shall be paid by said party of the second part, or Agent, to said party of the first part, or Agent

8 Bills of Lading to be signed without prejudice to this Charter, but at not less than chartered rates

9 Bunker coal to be supplied by charterers at \_\_\_\_\_ dollars, U S gold, per ton of 2  
 trimmed into bunkers at Philadelphia or Baltimore, or \_\_\_\_\_ dollars U S gold, pe  
 2,240 lbs trimmed into bunkers at Norfolk or Newport News

10 Steamer to be consigned to Charterers or their Agents at ports of loading and discharge, free of charge, and said Agents  
 trim and discharge the entire cargo at Charterers expense, they also paying all outward port charges, pilotages, etc., at loading port  
 inward port charges, pilotages, etc., at discharging port both being incidental to this cargo Steamer to pay the sum of

(£ ) British Sterling to cover same  
 to provide steam winches, winchmen gins and falls to run all winches simultaneously The loading to be done under the super  
 the Master, but Charterers shall not be liable for improper stowage

11 Steamer to have a lien upon the cargo for all freight, dead freight and demurrage, and all and every other sum, or sums o  
 which may become due the steamer under this charter

12 It is also mutually agreed that this shipment is subject to all the terms and provisions of and all the exemptions from  
 contained in the Act of Congress of the United States entitled "An Act relating to Navigation of Vessels etc." approved on the  
 of February, 1893 Seaworthiness warranted only so far as ordinary care can provide, and owners are not liable for loss, deten  
 damage arising from latent defects existing at the time of sailing General Average, if any, to be settled according to York Antw  
 of 1890

13 Lay days if required by Charterers, not to commence before \_\_\_\_\_ 191 \_\_\_\_\_  
 the steamer not be ready for cargo at her loading port on or before noon \_\_\_\_\_

Charterers or their agents to have the option of cancelling this Charter Party at any time not later than the day of steamer's readine  
 14 Steamer to have liberty to tow and to be towed and to assist vessels in all situations also to call at any port or ports  
 and/or other supplies.

15 The cargo or cargoes to be received and delivered alongside of the steamer, where she can load and discharge always safe  
 within reach of her tackles, and lighterage, and also extra lighterage, if any, at the risk and expense of the cargo, but steamer guar  
 draw not more than \_\_\_\_\_ feet on arrival at port of discharge, otherwise any lighterage necessary to lighten steame  
 draft to be for owners' account.

16 Steamer to load and discharge at such berth or berths as charterers may designate If more than one berth be used at  
 port or at discharging port charterers to pay extra cost of shifting steamer, time used in shifting to count as lay days

17 A commission of five per cent on the amount of freight and demurrage is due by the Steamer and Owners on signi  
 Charter Party, ship lost or not lost, charter cancelled or not cancelled, to W W BATTIE & CO

18 To the true and faithful performance of all and every of the foregoing agreements, we, the said parties, do hereby bind o  
 our heirs, executors, administrators and assigns, each to the other, in the penal sum of estimated amount of freight.

IN WITNESS WHEREOF, we hereunto set our hands, the day and year first above written

Witness to the signature of

Witness to the signature of

of his vessel, the loading and stowage of the cargo usually being done by the crew. He is responsible for losses incurred through defective stowage or theft on board, but is not responsible for loss or damage to the cargo by sea water, storms or perils of the sea generally, for damage by fire or the consequences of deviation from the proper course of his voyage, when occasioned by the perils of the sea. These risks are covered by the insurance which the charterer secures for his own protection

## 6. CHARTER RATES

Rates for freight paid under charters fluctuate widely and are competitive in the extreme. Thus, during March, 1912, the rate on grain from Baltimore to Liverpool ran from 4 pence per bushel on the first, up to 5 pence on the eleventh, gradually falling off and reaching  $2\frac{1}{4}$  pence on the first of April. In 1900 the average rate on wheat, corn, and rye from New York to Liverpool was 11 81 cents per 100 pounds; in 1901 it was 4.38 cents per 100 pounds; in 1902, 5 03 cents; in 1904, 3 94 cents; in 1905, 5 69 cents, in 1906, 5 03 cents, etc. Perhaps the greatest regular charter traffic in the world is that in Welsh coals from Cardiff or Newport, Wales, to all parts of the world. In his annual report of the commerce of Wales for 1912, the American Consul at Cardiff included tables showing freight rates per ton to various ports with the highest and lowest rates for the year.<sup>5</sup> Extraordinary variations are to be noted in the course of a single twelve-month. The rate on coal from Cardiff to a port nearby, such as Copenhagen, translated into American money,

<sup>5</sup> Daily Consular and Trade Reports, September 11, 1913,

varied from \$1.06 to \$2.07 per ton. A variation of \$1 a ton was also noticed in rates on shipments from Cardiff to St. Nazaire (not very far away on the French coast), while rates from Cardiff to ports on the River Plate ran from \$3.52 up to \$6.07 in the course of this one year.

Charter rates depend more intimately on supply and demand than perhaps any other prices that can be named. If, at a certain port, there is a cargo that must be moved immediately, a vessel lying unoccupied in that port can sometimes command a price two or three times greater than a vessel only five or six days' distant. On the other hand, if there are eight or ten vessels in port all seeking cargo, competition becomes intense and rates are cut. A vessel loses less in taking cargo at less than cost of operation than in lying idle for any considerable length of time. While, as we shall see, combinations among the regular steamship lines are now so common as to be almost universal, yet no combination among owners of tramp ships has ever been possible nor has any attempt at combination become effective.

The influence of the tramp ship plying for charter in full cargo shipments is none the less a strong corrective of any disposition that steamship lines or combinations of lines may manifest toward undue inflation of their rates. Profits of the liners do not come from small parcel freights. The backbone of their profits must always be those freights that are tendered in comparatively large quantities, and when the liner's rates are advanced too far the tramp ship is certain to come in and pick up a cargo or a combination of cargoes from several shippers. Shipping men have repeatedly testified that liners do not dare advance their rates to the point which they know would attract tramp shipowners, over whose operations

neither the regular liners nor anyone else can have the slightest control

Shipowners claim that neither large nor small shippers are ever at the mercy of conference lines, because "If the rates exceed or even approximate the charter rate for tramp steamers, large shippers immediately protect themselves by the employment of tramps for the transportation of their shipments. Small individual shippers, who cannot accumulate merchandise in quantities sufficient to justify the chartering of tramp steamers, are at such times served by chartering brokers who are always ready, when rates by the regular lines advance to such a point that a profit can be made by chartering, to put chartered ships on the berth, themselves accumulating the shipments of numbers of small merchants, who by this means can always protect themselves against oppression" <sup>6</sup>

However, in the anti-trust suit of the United States against the Brazil Steamship Conference at the hearing of October 14, 1913, the government attorneys put in certain evidence to show that the competition of tramp steamers does not adequately control the regulation of rates. The figures were for the purpose of showing that the line steamer being able to load partly with general cargo and partly with rails, etc., obtains about twice the revenue for its space that can be obtained by tramp steamers carrying full cargoes of rails. Statistics from outward manifests, New York to all Brazilian ports served by the Hamburg Line's joint service, Prince Line,

<sup>6</sup> Report of the committee appointed by the representatives of steamship lines maintaining established services from New York to foreign countries, March 3, 1913, printed in Volume II of Proceedings of the Committee on the Merchant Marine and Fisheries in the investigation of shipping combinations, page 1363

and the Lamport and Holt Line, showed that the total cargoes consisted of 40 per cent bulk and 60 per cent general. The average rate obtained for bulk was \$ 195 and for general \$.27. Individual instances were cited in which the total freight revenue of a vessel averaged \$.243 per cubic foot on all cargo, whereas if a steamer had been loaded with a full cargo of rails only as a tramp steamer, the income would have been only \$12. Other instances were shown substantiating these results.\*

## 7 FORMS OF CHARTER PARTIES

The commonest forms of charter parties include:

(1) *The Anglo-American Cotton Charter Party*.—In this form freight is based upon the net tonnage of the vessel. The favorite form of this charter was originally that adopted by the Chamber of Shipping of the United Kingdom in July, 1895, but it has recently received numerous modifications.

(2) *The Net Grain Charter Party*.—By its terms the shipowner is paid an agreed sum per unit of weight of cargo, the charterer paying the ship's expenses at both loading and discharging ports.

(3) *The "Paxpinus," or Chamber of Shipping Pitch Pine Charter*.—This form takes its unique name from the telegraphic code word used to indicate it between ship brokers. It was adopted in 1898 for use in the United Kingdom or the European continent and on the Mediterranean Sea and is in extensive use on the Gulf coast of the United States. The rate of freight is named in shillings and pence per St. Petersburg standard hundred of

\* New York Journal of Commerce, October 15-16, 1913.

165 cubic feet As in a number of other charters, the number of lay days is determined by allowing  $1\frac{1}{4}$  days for each 100 net register tons of the vessel The shipowner pays all port charges and pilotage fees with certain exceptions that are noted

(4) *The Baltimore Berth Grain Charter Party*—The days allowed for loading a vessel are in this form restricted to five and it has the distinctive feature of providing that the charter party is exchanged for regular bills of lading and superseded by them when cargo is loaded and the ship ready to sail.

(5) *"Cork for Orders" Charter Party*—Used in the Baltimore grain trade, this form includes the term "range," referring to a provision in the charter by which the loading port is not specified when the charter is signed It requires the vessel to report at some specified place and there to receive orders as to where to proceed to load. The loading ports are limited to those within a certain range of coastline This form provides also that the ship proceed from the loading port to Queenstown, Falmouth, or Plymouth, and there to receive orders as to final destination. Its name, "Cork for Orders," had origin in the fact that formerly Cork was the port named as the point where orders as to destination were to be received Of late years the final destination of a vessel is almost always determined before the cargo is loaded and the ship is ordered from the loading port direct to its destination. Under this form of charter party the port charges are paid by the shipowner, whereas under the "net grain" form they are paid by the charterer.

(6) *Berth Terms Grain Charter Party*.—Used at New



Orleans, this is similar to that favored at Baltimore, but leaves the number of lay days open to agreement.

(7) *Galveston Grain Charter Party*.—This is similar to the "Cork for Orders" form, but provides that the vessel is to sail with sufficient coal only to carry her to Norfolk or Newport News, there to take only enough to run the ship to the western coast of Europe where, if the vessel is to continue to the Baltic Sea, another supply of coal must be obtained.

(8) *Savannah Cotton Charter Party*.—This is similar to the Anglo-American, with the exception of some minor provisions, but it does not definitely name the loading port. The vessel may be ordered to proceed for cargo to Fernandina, Brunswick, Savannah, Charleston, Wilmington, Norfolk, or Newport News.

(9) *European Charter Party (Sail \$2)*.—This form is used in the timber and lumber trade and is intended for contracts made with sailing vessels. There is a similar form for steamships which adopt the title "*Timber—Steam—\$2 form—1897.*" Both forms are known as "\$2" because of provisions requiring the shipowner to pay the charterer \$2 for each 50 cubic feet of cargo, in consideration of the shipper paying expenses of stowing and port charges. There is a simple form used in the schooner trade of the Gulf coast, expressing the rate in dollars and cents per thousand feet. It also provides that lumber or timber shall be loaded from a wharf or lighters, preventing wet timber from rafts being made part of the cargo.

(10) *Naval Stores Charter Party*.—In this form the rate of freight is named in shillings and pence per 310 pounds of rosin or 40 gallons of spirits of turpentine or rosin oil, plus 5 per cent primage in both cases.

(11) *Time Charter Party, West Indian Fruit Trade* —

A feature of this charter as distinct from other time charters is the clause that "On account of the perishable nature of the cargoes that this steamer is intended to carry she is not allowed to stop to pick up any wreck or in any way assist or tow any vessel, especially when by so doing she is liable to be detained, only in order to save human life" According to the terms of this form the shipowner pays salaries and subsistence for the officers and crew, but the charterer furnishes the coal and pays the port charges. The freight charges are paid in advance every half month and the rate of exchange is stated at \$4 85 as opposed to other rates ruling under other forms of charter party.<sup>8</sup>

A charter party is sometimes signed by an agent of the owner by telegraphic authority and the agent's name is usually inserted in the body of the document as agent for the owner.

The clause reading to the effect that the ship is "tight, strong, and in every way fitted for the voyage" is called the "warranty."

The exact port at which a vessel is to discharge need not necessarily be named in the charter party. Such phrases are common as "One safe port on the continent between Havre and Hamburg, both inclusive" In such cases the port of destination may be named before the vessel leaves the port of loading or, as has been explained, it may be instructed to call at a certain other port en route for orders.

A charterer may sublet a portion or the whole of the

<sup>8</sup> See *Ocean Freight Rates and Conditions Affecting Them*, by Frank Andrews, published in 1907 as Statistics Bulletin 67 of the Department of Agriculture, from which the above outline has been modified.

ship or he may transfer the charter to others, unless prohibited by the terms of the charter party. He may ship cargo for other persons at a higher or lower rate of freight than that specified in the charter party, but the total amount of freight stated on the bill of lading must equal the amount represented by the cargo, calculated at the rate of freight named in the charter party. When a ship has been sublet at a higher rate it may be necessary to make out the final bill of lading at a very low rate; that is, if three-quarters of the tonnage has been sold at a higher rate than that specified in the charter party, the remaining one-quarter may have to be noted on the bill of lading as taken at a very low price per ton in order to bring the sum total of the freight to that called for by the terms of the charter party.

#### 8. SHIPMENTS OF GENERAL CARGO

Shipments of less-than-cargo quantities are almost exclusively handled by the regular steamship lines. For the satisfactory carrying-on of general commerce the regularity of the liner is indispensable. Knowing exactly what he has to depend upon, the shipper can count, with reasonable certainty, on making contract deliveries at some definite date in the future or over a considerable period of time. He may even protect himself as to rates by making contract agreements with the shipping companies, but this practice is the exception and not the rule. The ordinary practice is for a shipper, when he has goods to go forward, to inquire of one or more companies for space and rates on the specified shipment he has to offer. In the past some large producers, manufacturers, and merchants or export commission houses, who know pretty well what tonnage they will have to offer for a

given market in the course of a year, have made contracts specifying rates to which they are to be entitled, and this is probably still done, especially as applying to certain commodities. Nevertheless, it remains necessary for the average shipper from New York, even for forwarding agents doing a regular and a large business, to inquire specifically for rates on a given shipment of a stated volume, and it is quite impossible to rely upon precedents

Aside from variations due to the character of the commodities offered for transportation and their volume or weight, quoted freight rates depend upon lines and individual steamers of lines. These freight rates, it must always be understood, are determined upon and fixed by conference or agreements reached by the different lines which govern perhaps two-thirds of the "general cargo" shipments of the United States today. The rate on a given commodity to London or Liverpool may vary from 15 shillings per ton to 20 shillings or even 25 shillings, by ordinary steamers of various lines, up to 40 shillings, by such express boats as the *Mauretania* and *Lusitania*. At some other ports ruling rates of freight may be more freely quoted than at New York, at least for some trades. However, all freight destined for certain parts of the world must go from New York, and many of the sundry shipments naturally are routed via that port. For that reason, New York conditions are those of greatest interest and importance and a most extraordinary state of affairs prevails there.

## 9. OCEAN TARIFFS

The man familiar with railway traffic, only, will naturally be astonished to learn that no such thing as an ocean

freight tariff or commodity classification is to be had in New York governing, either officially or approximately, shipments to Europe, South Africa, Australia and New Zealand, China, Japan, and the Orient generally, or to Brazil and the River Plate. Yet such is the very fact Tariffs exist, but they are jealously kept back of the counters in steamship offices. Never are they allowed outside of these offices and a shipper is rarely permitted a glance at them. Of course, an experienced shipper can guess that the rate on shoes to English ports will be 40 shillings per measurement ton by the *Lusitania* or *Mauretania*; perhaps 25 shillings by some slower Cunarders; and possibly 20 shillings by boats of some other lines; but this will be pure guesswork.

On actually booking the freight it may be found that the quantity tendered or some other consideration will considerably modify the rates formerly enjoyed. For this reason, an assumed rate is not apt to be the lowest available. In fact, such tariffs as exist are said to be more honored in the breach than in the observance. By the last phrase it is not intended to intimate that rates are cut, for emphatically the contrary condition prevails. It is, however, suspected that the actual minimum rate is available to large shippers only. Other reasons given as explaining the secrecy with which these New York shipping offices surround their tariffs include a wholesome fear of further Government suits and investigations and an intention on the part of the companies to discipline, if not eliminate, the forwarding agent. Whatever be the cause, it is a fact that tariffs and commodity classifications are not given out by the lines plying to those parts of the world mentioned. The only guides of this character of which New York can boast are the

weekly freight reports of some freight brokers, covering breadstuffs and provisions only, as shipped during the preceding week.

In contrast with this condition, certain lines running from New York to Central America and the West Indies publish elaborate books of rates and classifications, including even through rates to the west coast of South American ports, via transshipment over the Panama railroad, and thence by the regular steamship lines, touching west coast ports on the voyage south. A few pages from the tariff books of the United Fruit Company's steamship department will illustrate the fashion in which such freights are published. The allied lines—the Hamburg-American Atlas Service, the Royal Mail Steam Packet Company, and the United States Government Panama Steamship Company—publish tariffs similar to this.

Rate cards published by some of the steamship agents at Baltimore, Newport News, New Orleans, and some other ports serve chiefly to emphasize the lack of any scientific or uniform basis for the establishment of rates and the exceedingly limited variety of commodities commonly handled by lines from such ports. For years past some of the companies on the Pacific coast have published more complete tariff schedules, possibly because all of them work in very close connection with some of the great railway systems. Specimens of some of these published tariffs accompany this chapter, together with rate tables submitted in evidence to the Committee of the House of Representatives, which spent the early part of 1913 in investigating shipping combinations. These are all to give an idea of what rates may be and how they have been assessed and are not guides to actual ruling figures or practices.

On pages 136 and 137 are shown freight rates of the Royal Mail Steam Packet Company by steamer from New York to Colon; thence by railroad across the isthmus to Panama; and thence by associated steamship lines on the west coast.

On pages 139, 140 and 141 are shown freight rates of the Pacific Mail Steamship Company from San Francisco to Hawaii and the Far East

### 10. FLUCTUATIONS IN RATES

Although on some routes, for example, the Caribbean lines, trade is based on fixed tariffs that are subject to few fluctuations, a considerable part of the big and busy North Atlantic trade is done on rates that fluctuate constantly. This is one of the possible explanations of the secrecy maintained as to some tariffs

Fluctuations in ocean freight rates are sometimes, even in these days of conferences and agreements among the steamship lines, due to ordinary laws of supply and demand. It must be acknowledged that competition among lines still continues, for all the shipping lines of the world are not as yet embraced in agreements, and all agreements are periodically broken. In the trade to Porto Rico, for example, (an exception in the Caribbean territory), there had been several lines soliciting freights in very active competition; normal rates were cut during 1913, indeed up to the combination of two of the lines in the spring of 1914, until the normal rates were subject to a discount of 70 per cent.

Foreign buying, especially in the grain trade, may cause great fluctuations in freight rates from New York. It may be that at one time freight room for the continent goes begging at extremely low prices. A week

## RULES AND REGULATIONS

Item 1

PREPAYMENT OF FREIGHT CHARGES  
KINGSTON

Freight and charges are payable at New York or Kingston at shippers option, except on Specie, Valuables, Perishable Goods and Live Stock, which must be prepaid

## OUTPORTS

Freight and charges to Jamaica Outports must be prepaid

Item 2

## PRIMAGE

Rates to Kingston bear 10% primage, unless otherwise specified, rates to Jamaica Outports are *net*

Item 3

## COMMODITY RATES TO GOVERN REGARDLESS OF CLASS RATES

Commodity rates takes precedence over class rates whether higher or lower as the case may be

Item 4

## PARCEL RECEIPTS

## KINGSTON

Parcel Receipts, value limited to \$5 00 each, will be issued to Kingston at \$1 00 for the first cubic foot or fraction thereof, and \$ 50 for each additional cubic foot or fraction thereof up to 9 cubic feet

## OUTPORTS

Parcel Receipts, value limited to \$5 00 each, will be issued to Jamaica Outports at \$1 40 for the first cubic foot or fraction thereof, and \$ 70 for each additional cubic foot or fraction thereof up to 9 cubic feet

Item 5

## PACKAGES CONTAINING ARTICLES OF MORE THAN ONE CLASS

Packages containing articles of more than one class will be charged at the tariff rate for the highest class article contained therein.

Item 6

## MINIMUM CHARGE

Kingston—\$5 00

Outports—\$7 00

Item 7

## OWNER'S RISK

Oils and other liquids are taken only at owner's risk of leakage Glassware, crockery and all fragile property concealed in packages, only at owner's risk of breakage

Perishable property only at owner's risk of frost, heat and decay

Deck cargo only at owner's risk

Item 8

## STRAPPING AND SEALING CASES OF BOOTS, SHOES, WINES, LIQUORS, CIGARS AND CIGARETTES

Shipments of boots, shoes, wines, liquors, cigars or cigarettes in cases, will not be accepted for transportation unless the cases, said to contain such goods, are protected by Gladion Clip, metal straps or wires secured by lead seals at the ends, or some equally effective device

Item 9

## PACKAGES EXCEEDING \$100 00 IN VALUE

Packages on which the valuation is declared on Shipping Receipts and Bills of Lading at time of shipment to be in excess of \$100 00 each, shall be charged at tariff rates plus 1% of value declared to Kingston, and 1½% to Outports, excepting articles at ad valorem rates, which shall pay only Tariff rates

Item 10

## RESTRICTIONS TO JAMAICA OUTPORTS

Live Stock, deck cargo and explosives will not be accepted for carriage on through Bills of Lading to Jamaica Outports via Kingston.

Item 11

## MARINE INSURANCE

Rates published herein do not include Marine Insurance

Item 12

## REFINED PETROLEUM

Refined petroleum taken only when put up in packages, and marked as required by United States Law

Item 13

## HEAVY OR BULKY PACKAGES OR PIECES

Rates published in this tariff to Kingston will only apply on packages or pieces the weight of which does not exceed 4,480 pounds each

Heavy Packages or Pieces weighing 4,480 pounds or over, will be subject to the following charges in addition to rates published herein

WEIGHT	If Freight at Measurement	If Freight at weight
Packages or Pieces over 2 tons, but not over 4 tons each	\$ 08 per cubic foot	\$ 18 per 100 pounds
" " " 4 " " " 5 " " "	09 " "	24 " "
" " " 5 " " " 6 " " "	12 " "	30 " "
" " " 6 " " " 7 " " "	15 " "	36 " "
" " " 7 " " " 8 " " "	18 " "	42 " "
" " " 8 " " " 9 " " "	21 " "	48 " "
" " " 9 " " " 10 " " "	24 " "	54 " "
" " " 10 " " " 11 " " "	27 " "	60 " "
" " " 11 " " " 12 " " "	30 " "	66 " "
" " " 12 " " " "	Special	Special

Above rates include lifting charges

Heavy packages for Outports accepted only by special arrangement

Fig. 14.—Reproductions from United Fruit Company's Freight Tariff to Jamaica



## Item No 14

## CLASS RATES

(Per cubic foot or per 100 pounds at carrier's option, except as otherwise noted)

TO	DD	D	1	2	3	4
Kingston	3 cents per lb	36 cts per cu ft 70 cts per 100 lbs	24 cts per cu ft 50 cts per 100 lbs	18 cts per cu ft 40 cts per 100 lbs	15 cts per cu ft 33 cts per 100 lbs	10½ cts per cu ft 28 cts per 100 lbs
Outports	3½ cents per lb	40 cts per cu ft 78 cts per 100 lbs	28 cts per cu ft 58 cts per 100 lbs	22 cts per cu ft 48 cts per 100 lbs	19 cts per cu ft 41 cts per 100 lbs	14½ cts per cu ft 34 cts per 100 lbs

## Item No 15

## COMMODITY RATES

COMMODITY	PER	RATE	
		To Kingston (Plus 10% primage except as noted)	To Outports (Net)
Asphaltum	100 lbs	\$ 15	\$ 23½
Berz cement, red	cubic foot	06	09
Brick, building, both or fire, in packages	100 lbs	20	27½
Calcium carbide of	100 lbs	20	27½
Cartridges (safety)	cubic foot	06	08½
Cartridge Shells, (capped)	100 lbs	22	30
Cement, building, in single bags	100 lbs	25	40
Same, in double bags	100 lbs	18	23
Same, in barrels	100 lbs	18	23
Clay, fire	100 lbs	22	30
Coal, in bags	100 lbs	22	30
Coke, in bags	cubic foot	06	09
Corn, in bags or barrels	100 lbs	20	27½
Crackers in barrels	cubic foot	06	08½
Curbstones	100 lbs	20	28
Empty bags, old	cubic foot	06	09
Empty packages, (old) all kinds, see packages empty			
Empty packages, (new) all kinds, see packages empty			
Feedstuffs, viz			
Extra Heavy			
Barley feed			
Corn flour			
Corn meal			
Corn Oil meal			
Cotton seed meal			
Cotton seed cake			
Gluten feed from Glucose Co			
Gluten meal from Glucose Co			
Grits			
Hominy			
Hominy feed			
Linseed oil meal			
Maize Futter			
Maizena Futter			
Oat Meal			
Oil cake			
Rye feed			
Heavy			
Bran			
Corn feed			
Flaked Oat meal			
Oat feed			
Quaker feed			
Rice bran			
Rice polish			
Rolled Oats			
Light			
Alfalfa feed			
Cleveland Linseed meal			
Dried Brewer's grains			
Dried Distiller's grains			
Gluten feed from Breweries and Distilleries			
Ground Rice Hulls (Machine compressed)			
Huskmeals (Machine compressed)			
Middlings			
Mustard seed cake			

\*In lots of 100 tons or over 2½¢ per 100 pounds less

FIG 14—Continued

## Item No 15—Continued

## COMMODITY RATES—Continued

COMMODITY	PER	RATE		
		To Kingston (plus 10% primage except as noted)	To Outports (Net)	
Feedstuffs viz—Continued				
Extra Light				
Alfalfa meal	In bags In barrels			
Cerealine				
Oob meal				
Corn flakes				
Cottonseed hulls		100 lbs	\$ 35	\$ 42½
Ground rice hulls (Uncompressed)		100 lbs	40	47½
Malt sprouts				
Quick Malt				
Sugar beet feed				
Fertilizer, in bags	100 lbs	18	26	
Same, in tubs or casks	100 lbs	20	28	
Flour (Wheat), in bags or barrels	100 lbs	20	27½	
Hay, in compressed bales	100 lbs	35	50	
Iron, scrap	100 lbs	32	42	
Iron and Steel, viz				
Bar				
Bloom				
Billets				
Corrugated				
Galvanized				
Gutters				
Hoops				
Nails	100 lbs	22	30	
Pig	or			
Plate	cubic foot	10½	14½	
Ridging	steamer's			
Rod	option			
Sheet				
Sleepers				
Tanks				
Wire Netting				
Lumber, not exceeding 20 feet	1000 Sup ft	6 50 (net)	8 50	
Same, over 20 feet and up to 30 feet	1000 Sup ft	8 00 (net)	10 00	
Same, over 30 feet		Special	Special	
Moulds, sugar	100 lbs	25	32½	
Oats, in bags or barrels	100 lbs	20	32½	
Packages, empty (old) all kinds	cubic foot	06	07	
Packages, empty (new) all kinds	cubic foot	09	12	
Packing House Products	100 lbs	25	32½	
Paper, (fruit tissue)	cubic foot	07 (net)	09	
Paper, printing, in rolls	100 lbs	27½ (net)		
Peas, dried	100 lbs	20	27½	
Filing, creosoted, not exceeding 30 feet	Per run-			
Rails and Accessories	ning foot	30	34	
Rice	100 lbs	19		
Rye, in bags or barrels	100 lbs	17½	27½	
Salt, common	100 lbs	20	27½	
Shingles	100 lbs	16	24	
Shooks, viz	cubic foot	06 (net)	10	
Coffee barrel	cubic foot	05 (net)	07	
Orange barrel	cubic foot	05 (net)	07	
Orange box	cubic foot	05 (net)	07	
Puncheon of Hoghead	cubic foot	06 (net)	08	
Spice	Ad Val	½% (net)	¾% (net)	
Sugar	100 lbs	25	32½	
Wheat in bags or barrels	100 lbs	20	27½	

**FURNESS, WITHY & CO., Ltd., Agents.**  
**From NEWPORT NEWS AND NORFOLK, VA.**  
*Schedule of Rates for week ending Aug. 2, 1913.*  
*subject to withdrawal at any time.*

	LIVERPOOL	LONDON
Bark Extract .. . . .	18	20
Boat Oars .. . . .	12/6①meas	12/ 6meas
Bran (Compressed).. . . .	25	80
Cereals (Quaker Oats, Rolled Oats, Grape Nuts and all other Break- fast Foods in cases or other pack- ages <i>except bags or barrels</i> .. . . .	10/-meas	10/-meas
Cereals In bags or barrels .. . . .	22½	25
Corn Syrup .. . . .	18	20
Cotton (Compressed) . . . . .	35	—
Cotton Seed Meal .. . . .	18	20
Doors, crated (otherwise owners risk)	25	80
Flour, Meal and Starch (in bags)	18	20
Flour (in barrels) .. . . .	23	25
Grape Sugar .. . . .	18	20
Hair (compressed in bales) .. . . .	40/-wt	40/-
Hops (dock delivery) .. . . .	80	80
Hops (warehouse delivery) .. . . .	90	89
Logs—Oak, Hickory, Walnut . . . . .	27	27
" Poplar .. . . .	87	87
Lumber—Oak, Hickory, Ash, Walnut	26	26
" " 2" and over .. . . .	22½	22½
" Poplar .. . . .	82	82
Boards 18' and over in width take 50% extra rate .. . . .		
Oatmeal (in bags) .. . . .	18	20
Oil (Cotton Seed, Red, Corn) . . . . .	4/- (bbl)	5/- (bbl)
Oil (Lubricating) .. . . .	8/6	—4/.
Oil Cake .. . . .	18	20
Provisions (large packages)	20/-	21/6
" (small packages) .. . . .	25/-	26/6
Seeds—Clover .. . . .	25½	25½
" Timothy .. . . .	28	28
" 14 lbs - - - } In double sacks	39	39
" 24 lbs - - - }	84	84
Tobacco (in hh)ds .. . . .	88	88
" Kings Warehouse .. . . .	—	41
Wax (in barrels) .. . . .	17/6	20/-
Flour, Aug West .. . . .	18	20

When ocean freight is prepaid, \$4 86 U. S. gold is equivalent to one pound sterling.

Rates in cents are per 100 lbs. Rates in sterling, unless otherwise specified, are per 2240 lbs, and 5% primeage must be added.

Engagements must only be made subject to our confirmation.

①12/6=12 shillings, 6 pence

FIG. 15 —Virginia Line Freight Rates from Newport News and Norfolk to Liverpool and London

Item 19		CLASS RATES							
PER CUBIC FOOT OR PER 100 POUNDS AT CARRIER'S OPTION									
PORTS		VALUABLES	DD	D	1	2	3	4	
Buenaventura, Col		60 cts cub ft	\$1.20 cub ft	50 cts cub ft	52 cts cub ft	53 cts cub ft	54 cts cub ft	55 cts cub ft	56 cts cub ft
Tumaco, "		\$1.09 100 lbs	2.18 100 lbs	\$1.09 100 lbs	94 cts 100 lbs	93 cts 100 lbs	92 cts 100 lbs	91 cts 100 lbs	90 cts 100 lbs
Manizales, Ecu		or 2 1/4 "							
Bañia, "									
Maná, "									
Puerto Bolívar, Ecu		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	47 cts cub ft	37 cts cub ft	28 cts cub ft	23 cts cub ft	18 cts cub ft
Guayaquil, "		\$1.19 100 lbs	2.38 100 lbs	\$1.19 100 lbs	88 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Lobos, Peru		62 cts cub ft	\$1.03 cub ft	67 cts cub ft	46 cts cub ft	37 cts cub ft	27 cts cub ft	18 cts cub ft	13 cts cub ft
Huanchaco, "		\$1.19 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Supa, "									
Paya, Peru		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	50 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft
Eton, "		\$1.19 100 lbs	2.38 100 lbs	\$1.19 100 lbs	91 cts 100 lbs	76 cts 100 lbs	70 cts 100 lbs	64 cts 100 lbs	58 cts 100 lbs
Pacasmayo, "		or 2 1/4 "							
Salaverry, "									
Pisco, "									
Chimbote, Peru		63 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
Samanco, "		\$1.19 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	76 cts 100 lbs	70 cts 100 lbs	64 cts 100 lbs	58 cts 100 lbs
Ormaiztegui, "		or 2 1/4 "							
Huacho, "									
Tumbes, "									
Huarmey, "									
Chancay, "									
Callao, Peru		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	47 cts cub ft	37 cts cub ft	28 cts cub ft	23 cts cub ft	18 cts cub ft
		\$1.08 100 lbs	2.38 100 lbs	\$1.19 100 lbs	85 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Carro Azul, Peru		62 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
Lomas, "		\$1.03 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	76 cts 100 lbs	70 cts 100 lbs	64 cts 100 lbs	58 cts 100 lbs
Ohala, "		or 2 1/4 "							
Quilca, "									
Tambo de Mora, "									
Mollendo, Peru		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
Ilo, "		\$1.03 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	76 cts 100 lbs	70 cts 100 lbs	64 cts 100 lbs	58 cts 100 lbs
or 2 1/4 "									
Talara, Peru		62 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
		\$1.19 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Arica, Chile		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	47 cts cub ft	37 cts cub ft	28 cts cub ft	23 cts cub ft	18 cts cub ft
		\$1.08 100 lbs	2.38 100 lbs	\$1.19 100 lbs	85 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Pisagua, Chile		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	47 cts cub ft	37 cts cub ft	28 cts cub ft	23 cts cub ft	18 cts cub ft
Tecopilla, "		\$1.03 100 lbs	2.38 100 lbs	\$1.19 100 lbs	85 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
Talca, "		or 2 1/4 "							
Iquique, Chile		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
Valparaiso, "		\$1.09 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	84 cts 100 lbs	83 cts 100 lbs	82 cts 100 lbs	81 cts 100 lbs
Talcahuano, "		or 2 1/4 "							
Antofagasta, Chile		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	47 cts cub ft	37 cts cub ft	28 cts cub ft	23 cts cub ft	18 cts cub ft
Chanaral, "		\$1.03 100 lbs	2.38 100 lbs	\$1.19 100 lbs	85 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Valdivia, Chile		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
Coquimbo, "		\$1.03 100 lbs	2.38 100 lbs	\$1.19 100 lbs	82 cts 100 lbs	84 cts 100 lbs	83 cts 100 lbs	82 cts 100 lbs	81 cts 100 lbs
Coronel, "		or 2 1/4 "							
Corral, "									
Hualqui, Chile		67 cts cub ft	\$1.33 cub ft	67 cts cub ft	43 cts cub ft	38 cts cub ft	33 cts cub ft	28 cts cub ft	23 cts cub ft
		\$1.08 100 lbs	2.38 100 lbs	\$1.19 100 lbs	85 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Mejillones, Chile		62 cts cub ft	\$1.33 cub ft	67 cts cub ft	47 cts cub ft	37 cts cub ft	28 cts cub ft	23 cts cub ft	18 cts cub ft
		\$1.04 100 lbs	2.38 100 lbs	\$1.19 100 lbs	85 cts 100 lbs	87 cts 100 lbs	86 cts 100 lbs	85 cts 100 lbs	84 cts 100 lbs
or 2 1/4 "									
Lebu, Chile		68 cts cub ft	\$1.64 cub ft	85 cts cub ft	78 cts cub ft	65 cts cub ft	53 cts cub ft	41 cts cub ft	31 cts cub ft
Puerto Montt, "		\$1.14 100 lbs	3.68 100 lbs	\$1.46 100 lbs	96 cts 100 lbs	83 cts 100 lbs	71 cts 100 lbs	58 cts 100 lbs	46 cts 100 lbs
Arauco, "		or 2 1/4 "							
Punta Arenas, "									
Los Vilos, "									
* See Item No. 17									
† Minor Peruvian Ports, See Item No. 9									



later, export buying may amount to little short of frenzy. Corresponding demands for freight room result and force the ocean rates up to perhaps double those which prevailed before the excitement on the floor of the Produce Exchange. In such instances the law of supply and demand practically controls the ocean freight rates.

As a rule, it is not to be denied that trans-oceanic freights, particularly in what are known as the long voyage trades, are much lower in proportion to the length of the voyage than are the rates charged in the coastwise service of the United States. Figure 17 sets forth the current coastwise and foreign rates on certain classes of commodities carried in their respective trades as they were supplied in March, 1913, to the Committee

COMMODITIES	RATES IN CENTS PER 100 POUNDS							
	FROM NEW YORK TO							
	Wilmington 350 miles	Charleston 650 miles	Savannah 700 miles	New Orleans 1,700 miles	Galveston 1,900 miles	Argentine Ports 6,000 miles	Cape Town 7,000 miles	Shanghai 12,500 miles
Dry Goods	50	57	57	70	55	176½	120	60
Canned Goods	15	15	15	15	15	70½	42	58
Hardware	40	47	47	50	63	79½	42	58
Plows	15	19	19	35	25	49½	42	58
Other Agricultural	15	19	19	35	25	80	55	98
Barrel Oil	20	15	15	25	20	60½	51	45
Kerosene	(1)	(1)	(1)	35	32	36½	27	58

<sup>1</sup> Prohibited

FIG 17—Current Commodity Rates Applicable from New York to Coastwise Ports Compared with Those to Foreign Ports

**PACIFIC MAIL STEAMSHIP COMPANY****TRANS-PACIFIC****FREIGHT TARIFF No. 16****EFFECTIVE JANUARY 1, 1913****SUPERSEDES FREIGHT TARIFF No 15 AND PREVIOUS ISSUES**

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**RATES OF FREIGHT****FROM****SAN FRANCISCO****TO****HONOLULU****AND****Japan, China, Korea, Siberia, Philippine Islands,  
India, East Indian Ports, Straits  
Settlements, Etc.**

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**RATES AND CONDITIONS SUBJECT TO CHANGE WITHOUT NOTICE**

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**R. P. SCHWERIN,**  
Vice President and General Manager**A. M. GARLAND,**  
Freight Traffic Manager

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**PACIFIC MAIL STEAMSHIP COMPANY****384 JAMES FLOOD BUILDING****SAN FRANCISCO, CAL****ISSUED DECEMBER 20 1912**

Fig 18—Reproduction from Pacific Mail Steamship Company's Trans-Pacific Tariffs

Item No	FROM SAN FRANCISCO	TO		
		How Taken	Yokohama, Kobe, Nagasaki and Hong Kong and Manila by direct steamer	Shanghai
	Freight payable in U. S. Gold Coin Except as otherwise provided rates are per ton of 40 cubic feet when taken by measurement, or 2,000 lbs when taken by weight			
1	Alc, Beer, Porter and Mineral or Charged Waters, in glass	Weight	\$10 00	\$10 50
2	Agricultural Implements, K D, inc Shovels, Spades, Scoops and Scrapers, in packages	Weight	11 00	11 50
3	Apples in boxes	Meast	6 00	6 50
4	Arsenic, Crude or White, in kegs	Weight	5 00	5 50
5	Asphalt, in bbls, quality guaranteed not to run, or in Iron Drums	Weight	8 00	8 50
6	Automobiles (completely boxed or crated), at Owner's risk	Meast	12 00	12 50
7	Bark, Tan, ground, in sacks	Weight	10 00	10 50
8	Bark, Extract, in barrels	Meast	10 00	10 50
9	Barley, in bags	Weight	5 50	6 00
10	Barrels or Iron Drums, Empty, Returned	Meast	4 00	4 50
11	Beans, Dried, in sacks	Weight	10 00	10 50
12	Bicycles, Bicycle Parts, and Motorcycles, boxed or crated	Weight	20 00	20 50
13	*Boulers	Same as Machinery		
14	Boots, Shoes and Rubbers, in cases	Weight	12 00	12 50
15	Bran, in bags	Weight	10 00	10 50
16	Bricks, Common Red	Weight	6 00	6 50
17	Calcium Carbide, (in iron drums) when specially arranged for	Weight	45 00	16 50
18	Canned Goods, viz Fish, Fruits, Meats, Preserves, Vegetables, Syrup, Honey, and Condensed Milk in cases	Weight	9 00	9 50
19	Car Wheels on Axles	Weight	5 00	5 50
20	Cars K D and Car Material, N O S	Weight	7 00	7 50
21	Cartridges, Shotgun or Rifle, Gun Caps, Powder and Unloaded Shells for Firearms	Weight	10 00	20 50
22	Cement, in barrels or sacks	Weight	5 00	5 50
23	Cigarettes, in cases	Weight	7 00	7 50
24	Cigarette Holders, in cases	Weight	12 00	12 50
25	Coffee, Green, in bags	Weight	12 00	12 50
26	Coke, in sacks	Weight	12 50	13 00
27	Copper, Bar or Ingot	Weight	5 00	5 50
28	Cotton Bags in bales	Meast	4 00	4 50
29	Cotton Piece Goods, in bales or cases	Weight	7 00	7 00
30	Cotton, Raw, Machine Compressed to not less than 20 lbs per cu ft. (Square or Round), in bales	Weight	8 00	8 00
31	Cotton, Raw, Uncompressed, in bales	Weight	13 00	13 00
32	Cotton Waste, in bales	Weight	8 00	8 50
33	Crackers, Edible, N O S in cases	Meast	8 00	8 50
34	Doors and Unglazed Sash	Meast	7 00	7 50
35	Electrical Supplies N O S (Including Transformers, but Exclusive of Machinery) in pkgs	Weight	11 00	11 50
36	Felt or Paper, Roofing and Building, and Fixtures	Meast	7 50	8 00
37	Fertilizer N O S, guaranteed inodorous, in sacks	Wt or Meast. S/O	5 00	5 50
38	Fire Clay, Brick, Tile, Terra Cotta, Sewer Pipe	Wt or Meast. S/O	6 00	6 50
39	Fire Clay, Gas Retorts and Fire Brick Retort Settings	Wt or Meast. S/O	7 00	7 50
40	Fish, Dried or Salted, in bags, cases or bbls	Wt or Meast. S/O	8 00	8 50
41	Fish, Pickled, in barrels or half barrels	Weight	8 50	9 00
42	Flour, in barrels or sacks	Special		
43	Fruit, Dried, in cases, or in tins boxed	Meast	10 00	10 50
44	Ginseng, in casks or barrels, iron strapped	Weight	40 00	40 50
45	Glass, Old, in barrels or boxes	Weight	8 00	8 50
46	Globes, Arc Light and Incandescent Lamp, O R B, in barrels or cases	Weight	20 00	20 50
47	Grain, N O S, in bags	Weight	8 00	8 50
48	Hair, Compressed, in bales	Weight	10 00	10 50
49	Hay, in bales, Double Compressed 18 lbs per cu ft or over	Meast	6 00	6 50
50	Hides, Dried Compressed, in bales	Weight	10 00	10 50
51	Hides, Green Salted, guaranteed inodorous, in bales or bundles	Weight	7 00	7 50
52	Horns, Horns and Bleached Bones (not human), in boxes or bags	Wt or Meast S/O	4 00	4 50
53	Human Bones, in cases, per single remains		5 00	5 00
54	Human Bones, in cases, Chinese	Meast	20 00	20 00
55	Hops, in bales	Meast.	7 00	7 50
56	Horseshoes and Nails (Old), in barrels or boxes	Weight	5 00	5 50
57	Household Goods, including Furniture, Books and Personal Effects, released to \$10 00 per 100 lbs and bill of lading so claused (Not released, double rates to be applied).	Wt or Meast.	10 00	10 50

FIG. 18—Continued



# ARBITRARIES ON GENERAL CARGO BEYOND ASIATIC COMMON POINTS

Rates are in Gold, per 40 cu. ft or 2,000 lbs, ship's option, and will apply on single packages up to 3,000 lbs except as particularly provided for in foot-notes

## APPLYING VIA YOKOHAMA, JAPAN

Rates include transshipping charges at Yokohama  
The arbitraries shown below will apply on Ordinary Cargo.

PORT	Arbitrary	Minimum Charge from Yokohama	PORT	Arbitrary	Minimum Charge from Yokohama	PORT	Arbitrary	Minimum Charge from Yokohama
Hakodate	Japan 32 80	\$1 00	Oginozawa	Japan 32 80	\$1 00	Tokyo	Japan 32 75	\$2 75
Mororan	Japan 32 80	1 00				Yokohama	Japan 1 00	1 00
Nemoro	Japan 32 80	1 00						

## RATES ON HEAVY CARGO TO ANY OF THE ABOVE MENTIONED PORTS.

1/2 ton and not exceeding 1 ton	1 ton	20% to be added to arbitrary
1 ton	2 tons	50% to be added to arbitrary
2 tons	4 tons	Double amount of arbitrary
4 tons and over		Triple

Rates include transshipping charges and storage in lighters or on shore at port of transshipment for a period not exceeding ten days, all charges accruing after the expiration of ten days from date of arrival of the cargo are for consignee's account.

Arbitrary to be specially arranged

## APPLYING VIA KOBE, JAPAN

Rates include transshipping charges at Kobe.  
The arbitraries shown below will apply on Ordinary Cargo.

PORT	Arbitrary	Minimum Charge from Kobe	PORT	Arbitrary	Minimum Charge from Kobe	PORT	Arbitrary	Minimum Charge from Kobe
*Aleksandrovsk	Siberia 36 00	\$2 50	*Kornatovsk	Siberia 36 50	\$2 50	*Nagata	Siberia 34 10	\$2 50
Antung	China 4 10	2 00	Kuremori	Korea 3 50	2 00	*Nikolayevsk	Siberia 3 00	2 50
Chienchiang	Korea 3 40	2 00	Kyoto	Japan 2 00	2 00	Oda	Japan 1 00	2 50
Chinnampo	Korea 4 20	2 00	Maui	Japan 1 50	2 00	Port Arthur	China 5 50	2 50
Dalny	China 3 00	2 00	Maipo	Korea 2 50	3 00	Pyeong Yang	Korea 6 00	2 50
Dairen	Korea 3 00	2 00	Manchuria	Japan 2 00	2 00	Selima	Korea 4 25	2 50
Harbin	Korea 3 50	2 00	Under 2 tons	4 00	2 00	Seishin	4 30	2 50
Josin	Korea 3 00	2 00	2 tons and over	3 50	2 00	Takau	Formosa 2 90	2 00
Kelung	Formosa 3 00	2 00	New Wiju	Korea 3 50	2 00			

## RATES ON HEAVY CARGO TO ANY OF THE ABOVE MENTIONED PORTS.

1/2 ton and not exceeding 1 ton	1 ton	20% to be added to arbitrary
1 ton	2 tons	50% to be added to arbitrary
2 tons	4 tons	Double amount of arbitrary
4 tons and over		Triple

Rates include transshipping charges and storage in lighters or on shore at port of transshipment for a period not exceeding ten days, all charges accruing after the expiration of ten days from date of arrival of the cargo are for consignee's account.

Shipments for Chinnampo which arrive during the months of December, January and February may be accepted, but Bills of Lading covering such shipments must bear the following endorsement:

Subject to delay at port of transshipment, all storage and other charges at transshipment port while awaiting forwarding, to be borne by shipper/owner of cargo.

Rates apply only on shipments that will reach destination during the months of May, June, July, August, September and October.

Transfer charges on heavy lifts additional

Per 2240 lbs

## PARCEL TARIFF

From San Francisco to Yokohama, Kobe, Nagasaki, Shanghai and Hong Kong and Manila by direct steamer.

PARCEL RATE	RATE	ADDITIONAL CHARGE FOR VALUE					
		VALUED AT		RATE	VALUED AT		RATE
		OVER	NOT EXCEEDING		OVER	NOT EXCEEDING	
Not exceeding 15 lbs	\$1 50						
Over 15 lbs and not exceeding 20 lbs	2 00						
" 20 " " " "	2 50						
" 25 " " " "	3 00	\$50 00	\$75 00	\$1 00	\$500 00	\$600 00	\$7 00
" 30 " " " "	3 50	75 00	100 00	2 00	600 00	700 00	8 00
" 35 " " " "	4 00	100 00	200 00	3 00	700 00	800 00	9 00
" 40 " " " "	4 50	200 00	300 00	4 00	800 00	900 00	10 00
" 45 " " " "	5 00	300 00	400 00	5 00	900 00	1000 00	10 00
Exceeding 50 lbs, per lb	10	400 00	500 00	6 00	Over	1000 00	1 1/2

## NOTES

- Governing Arbitraries to points beyond Asiatic Ports of Call.
- (A) Charges on traffic destined to points beyond designated Asiatic Ports of Call must be prepaid through from originating point to destination.
- (B) For all freight contracted to points beyond regular Asiatic Ports of Call one extra signed copy of Bill of Lading should be sent forward with the goods for use with customs by the agent of the various steamship lines at Asiatic Ports of Call. Without this extra Bill of Lading freight is liable to be delayed at ports of transshipment. The copy should be stamped "For customs purposes only." This applies especially in the case of Middle East freight.
- (C) Arbitraries do not include cost of landing at port of destination except especially so indicated. The general custom is that Consignees take delivery from ship's side. The arbitraries only include delivery over-ship's side.
- (D) BILLS OF LADING should always be tendered. On cargo transhipped at Asiatic Ports of Call for destination beyond, outside and Trans-Pacific Steamship Lines are not responsible for damage beyond Asiatic Ports of Call. Local lines beyond Asiatic Ports of Call assume responsibility on transshipment made and so draw their Bills of Lading.
- (E) Arbitraries on heavy lifts beyond Shanghai and Hong Kong to various Out-ports quoted on application.

of the House of Representatives engaged in the investigation of shipping combinations.

In Table 3 some curious variations and an apparent lack of uniformity in freight rates will be observed. Thus, dry goods are taken from New York to Shanghai, a distance of 12,500 miles, at 60 cents per 100 pounds, but twice as much is charged for taking the same goods from New York to Cape Town, a distance of only 7,000 miles. On the other hand, canned goods and hardware cost much more for transport to Shanghai than to Cape Town, barrel oil takes a higher rate to Cape Town than to Shanghai, kerosene (in cases) costs more to Shanghai than to Cape Town. Dry goods form a most important element in our trade with China, almost nothing at all in that line being done with South Africa. On the contrary, South Africa is a much larger market for American hardware than is China.

Other discrepancies may sometimes be similarly explained, yet sometimes they seem to arise from custom or merely by chance. It may be found that rates of freights named from New York to Rio de Janeiro are considerably higher than rates named on an identical shipment, perhaps by the same steamer, for the much longer voyage from New York, via Rio de Janeiro, to Buenos Aires. On investigation, however, it may be learned that the Rio rate includes the heavy port charges there for unloading and lighterage ashore. There are also seemingly strange discrepancies in the rates of freight on certain commodities between the same ports, and the income of a ship varies considerably according to the preponderance in its cargo of certain classes of freight.

Competition among liners has, at times, assumed the

character of a veritable war involving no small degree of actual enmity. On the other hand, as we shall have occasion to remark before long, agreements among shipping companies have often resulted in uniform rates on the same cargo to the same port of destination from which, frequently enough, no deviation whatever is obtainable. "Prior to 1910 there was in the foreign shipping trades of the United States a period of fierce and chaotic rate cutting. At times cargoes were carried at such unprofitable rates as \$2 a ton to the River Plate, \$3 a ton to the Philippines, China, and Japan, \$2.50 a ton to Australia, and \$4 a ton to South Africa."<sup>9</sup> Such rates are extraordinary and of infrequent periodical recurrence, as pools and conferences are formed, break up, and reform.

## 11. COMBINED RAIL AND WATER RATES

American railways, like those in most other countries, favor export shipments in various ways. In the case of inland rates of freight, they frequently extend periods of free storage at port while awaiting ships and reduce the charges for lighterage, etc. Chicago-New Orleans rail rates on goods for domestic deliveries are higher than the rates from Chicago to New York, but if the railway bill of lading is noted "for export," the New York rate is usually granted to shipments routed via New Orleans. Reduced rates by the rail lines usually apply more especially in the case of through foreign bills of lading in which the exact differential in the rail rate may not be easily or accurately determined.

<sup>9</sup> Proceedings of the Committee Investigating Shipping Combinations, page 1364.

Differentials in favor of export goods shipped by rail from interior points have, in the past, all too frequently served as texts for political demagogues. At one time there may have been some slight foundation for the assertion that railways abandoned an unduly large percentage of their regular rate to ocean carriers bringing foreign goods into the United States, favoring the foreign shipper rather than the American manufacturer. It is believed, however, that this condition has practically disappeared. It cannot be denied that there is an economic advantage in naming preferential rates on the products of American farms and factories, destined for ultimate shipment to distant foreign markets, there to encounter competition from the products of all the world. How far practices of railroads in this regard should be, or can wisely be, governed by Federal supervision and direction is a question quite outside the province of this chapter.<sup>10</sup>

Railway ownership of steamship services in foreign as well as domestic trades has quite recently been brought to the attention of the whole country. The Panama Canal Act of 1912, barring railway-owned vessels from that waterway, will, unless repealed or modified as to that provision, undoubtedly result in curtailing, perhaps halving, the tonnage of our sea-going American marine. It at present seems likely to have another, an unexpected, result, namely, a stiff fight for trans-Pacific export freight by the rail lines, involving lower rail rates on export goods and, more than possibly, faster trans-continental freight services than hitherto known. The so-called "silk trains" have for some time transported valuable cargoes

<sup>10</sup> See the section of the treatise on *Freight Rates—Western Territory*, by the La Salle Extension University, relating to this subject.

of that product of China and Japan from Pacific coast ports to eastern factory centers at almost passenger speed. Should a similar westbound service be put into effect from the East, the South, and the Middle West, it is believed that the trans-continental rail systems would still be able to hold their own with the all-water route via the canal. If especially low rates are named, they may be able to do even better than the all-water route.

Differentials in rail rates from the interior to seaports, favoring, for example, Philadelphia, Baltimore, and Newport News over New York and Boston, have sometimes been held responsible for increased ocean rates from the ports favored. These differentials make the net through charge to foreign destination about the same, thus bringing little profit to the rail route, special port, or anybody, save the steamship owners.

Another effect of changed conditions following adjustments and supervision of rail rates is to be found in the virtual abandonment of the trans-continental-Pacific route by our large China trade in cotton piece-goods. From two to four weeks transit time is usually saved by that route over the all-water route from New York. This is an item of considerable moment at times, involving in case of very large shipments calculations as to interest charges on the investment.

Ten or fifteen years ago, mills in our southeastern states, making the cotton sheetings and drills that constitute the bulk of our sales to China, allowed certain freight rebates when shipments were despatched direct from the mill to the Pacific coast. Those rebates were not always the exact mill-New York freight rates; some times they were sufficiently exaggerated to make the

overland route profitable as well as desirable. This has all been done away with. Rebates today must be exactly the rail rate; from Piedmont, S. C., for instance, 45 cents per 100 pounds, not 49 cents or 60 cents. The present rate on cotton piece-goods (in bales) from New York to Shanghai via Suez is said to be 60 cents per 100 pounds. The rate from the mill overland via San Francisco is \$1.15. It is evident, therefore, that a small variation in the rate by either route will determine the choice, although certain kinds of cotton goods, cotton flannels, for instance, even now take the overland route in spite of its rare patronage of late by shippers of other cottons.

A considerable traffic through to Australasia and the Far East, in small shipments of sundry goods, still passes over the trans-continental lines from the Middle Western and even from the Eastern states. This traffic, while large in the aggregate, is made up of a multitude of small lots handled in ingenious fashion by forwarding agents who specialize in combining carload shipments. This traffic and prevailing rates are well described in a letter to the author from a well-known firm of Chicago forwarding agents, reading essentially as follows:

Export rates to Australia and the Far East via the Pacific Coast on so-called "Merchandise," which includes everything except boats, broom corn, human bones, ginseng, jewelry, pianos, and organs (not including folding organs), silverware and other plated ware, wheels (buggy and carriage), live animals, and all other perishable cargo requiring refrigerator service, are \$1.50 per hundred pounds in carload lots

Brokers and forwarding agents in Chicago make up carloads of merchandise by securing from various concerns their less-than-carload shipments and ship these consignments for the Far East at rates from \$1.60 to \$2 per hundred pounds. These rates apply to the so-called ports of call, Kobe, Nagasaki, Shanghai, Hong

Kong, Manila, Sydney, Melbourne, Auckland, etc. To points other than ports of call, there are certain arbitraries. To ports of call in Australia, and New Zealand, generally \$2 per hundred pounds is charged for less-than-carload lots in combined carload shipments.

In addition to the above-mentioned rates there are so-called commodity rates which apply on carloads of soap, syrup, twine, vehicles, automobiles, machinery, and other articles. These rates are as a usual thing lower than the merchandise rate, but it is not possible to ship less than carloads and secure a rate anywhere near the carload rate. This is due to the fact that there are no firms in the Middle West who can make up carloads of other than "merchandise," with the exception of machinery, of which there are regular cars leaving Chicago for the Orient made up of less-than-carload shipments.

At the present time it is far cheaper for a manufacturer of merchandise or commodity articles, when he is located in the Middle West, to ship to the Far East and Australia via the Pacific Coast than via New York, provided the goods are measurement goods, that is to say, provided that their measurements are out of proportion to their gross weight.

It is reported that new rates are to be put into effect on the first of next year, 1914, by the steamship companies, from the Pacific Coast ports to Australasia. (These rates were put into effect but were disrupted after the outbreak of the European war.)

These rates will be as follows. If shipments exceed 4 cubic feet to the 100 pounds, the ordinary through rates stated above are increased  $12\frac{1}{2}$  cents per 100 pounds for each additional foot. In other words, if goods measure 9 cubic feet per 100 pounds, the rate to Sydney, for instance, will be \$2 per 100 pounds in less-than-carload lots, or \$1.75 per 100 pounds in carload lots, plus  $12\frac{1}{2}$  cents for each additional foot per 100 pounds over 4 cubic feet, or  $62\frac{1}{2}$  cents per 100 pounds extra. Thus, the rates become \$2.62 $\frac{1}{2}$  per 100 pounds in less-than-carload lots and \$2.37 $\frac{1}{2}$  per 100 pounds in carload lots.

As to the rates and time via the Atlantic Coast, in the first place, the Middle Western manufacturer must pay the inland freight and, if he quotes f o b steamer New York, cartage as well as ferriage have to be paid also. Cartage rates in New

York are rather exorbitant. It takes a great deal more time to ship to Australasia or the Far East via Europe or direct from an eastern port, generally from 60 to 75 days, from Chicago to the Pacific Coast, time varies from 12 to 18 days, from the Coast to the Orient from 15 to 28 days, making the through time from Chicago from 30 to 50 days if prompt connections are made

The rate on iron stoves to Sydney, Australia, from Chicago via the Pacific Coast in less-than-carload lots is \$2 per 100 pounds as charged by the forwarding brokers, and in carload lots \$1.75 per 100 pounds. The average measurements on iron stoves are 9 cubic feet to every 100 pounds. The rate on stoves from New York to Sydney is 30½ cents per cubic foot, so that on 100 pounds or 9 cubic feet the rate from New York to Sydney will be \$2.75 per 100 pounds on any quantity in less-than-carload or carload shipments as against \$2.00 per 100 pounds in less-than-carload lots and \$1.75 per 100 pounds in carload lots from Chicago via the Pacific Coast. In the latter case, Chicago exporters are not charged extra for inland freight, cartage, or ferrage. Other Middle Western manufacturers have to pay only the freight extra from their towns to Chicago and a small charge for drayage.

Take gas fixtures or lamps to Manila, for example. The average measurements are 10 cubic feet to every 100 pounds gross. The rate from New York to Manila is about 23 cents per cubic foot, or \$2.30 per 100 pounds. These same goods can be shipped from Chicago to Manila via the Pacific Coast at a through rate of \$1.75 per 100 pounds in less-than-carload lots, or \$1.50 in carload lots, a saving of 55 cents per 100 pounds in less-than-carload lots and 80 cents per 100 pounds in carload lots, with no charge for cartage, inland freight, or ferrage.

New York authorities, however, declare that some large shippers complain of vexatious delays, sometimes of weeks, and general careless treatment of export goods at Pacific coast ports.

Speaking in a very general way, it may be said that through foreign bills of lading, issued from interior



points by the railways, are not usually the most advantageous to the ordinary shipper of general merchandise in limited quantities, although through bills of lading on grain from the Northwest are frequent. Some railways actively solicit such freights, saving work and worry to the shipper who does not care to devote personal attention to matters of comparatively rare occurrence. But economies, and sometimes more efficient service, can often be secured by a study and investigation of the available ways and means.

Some European countries, especially those that exercise state control over railways, have modified inland rates on export goods to a far greater extent than the United States. Co-operation with steamship lines has also been developed further, as has already been hinted in the case of Germany. Theoretically, the fullest co-operation and the extreme reduction in rates are thoroughly scientific means of developing foreign trade and are desirable and praiseworthy from an economic point of view. Our American jealousy of the growing power of great corporations should not blind us to those facts.

In the Daily Consular and Trade Report for July 23, 1913, there were published informative reports as to rail and ocean freights on export goods in France, Germany, Austria-Hungary, Russia, and Spain. From a table supplied by the American Consul General at Marseilles, the following figures may be quoted as illustrating preferential rates granted some commodities for export by French railways, the rates named applying for distances from 100 to 200 kilometers (62 to 124 miles) from Marseilles, per metric ton mile (metric ton, 2,204.6 pounds).

	IMPORT RATE	EXPORT RATE
Cheese, less than 5-ton shipments ..	\$3 91	\$3 29
Cotton Goods, less than 5-ton shipments	5 15	3 29
Glassware, less than 5-ton shipments	2 36	2 04
Machinery, less than 5-ton shipments .	3 29	2 83
Wine (in cases), less than 5-ton shipments	3 29	2 98

In this publication, also, the American Consul General at Berlin reported on German export rates, as compared with normal rates, by rail from certain interior manufacturing points to ports for shipment by sea. The results, on the commodities selected as examples, are set forth in Figure 19.<sup>11</sup> The rates are per metric ton in carload lots of 10 tons.

Cities	Distance in Miles	Commodities	Export Rates	Import Rates
Cologne to Hamburg	267 2	Copper goods lead in blocks tubes .	\$8 14	\$6 38
Cologne to Hamburg	267 2	Zinc in sheets etc	3 17	4 86
Cologne to Hamburg	267 2	Cotton goods	3 64	6 38
Cologne to Hamburg	267 2	Machinery and machine parts, ironware	2 62	4 86
Cologne to Hamburg	267 2	Iron plates locomotives etc	1 23	3 88
Frankfort to Hamburg	330 0	Machines and ironware	3 07	6 00
Frankfort to Bremen	336 2	Machines and ironware	3 69	5 21
Frankfort to Lubeck	358 5	Machines and ironware	3 31	6 47
Frankfort to Hamburg	330 0	Iron products such as beams etc	1 67	4 71
Frankfort to Bremen	336 2	Iron products such as beams etc	1 46	4 13
Frankfort to Lubeck	358 5	Iron products such as beams, etc	1 79	5 09
Nuremberg to Hamburg	304 6	Thuringian wares toys, etc	5 33	9 33
Nuremberg to Bremen	362 8	Thuringian wares toys etc	5 45	8 66
Nuremberg to Lubeck	405 1	Thuringian wares toys etc	6 02	9 64

FIG 19.—German Export Commodity Rates as Compared with Import Commodity Rates by Rail from Certain Interior Manufacturing Points to Specified Ports

## 12. DETAILS AFFECTING MANNER OF SHIPPING AND RATES

In shipping heavy goods, rates of ocean freight ordinarily quoted do not apply if the weight exceeds the

<sup>11</sup> Special freight rates for export as allowed by German railways have also been treated in other of our government publications, notably *Railway Freight Rates, Inland Waterways and Canals of Germany*, issued as National Waterways Commission Document No 19, 1911, Daily Consular and Trade Reports for September 8, 1909, and March 20, 1912.

power of the ordinary winches and hoisting apparatus of a ship. Some of the very new cargo vessels have specially devised cargo handling apparatus capable of hoisting packages weighing as much as five tons each. Occasionally a ship may be found possessing a steel derrick that can handle even twenty-five-ton loads. The great majority of ships, however, are not able to hoist loads weighing more than two or three tons with their own apparatus and usually there is no other device at hand. When heavy pieces—locomotives, for example, or boilers, or large machinery—are to be shipped, it is frequently necessary to engage special floating derricks to go alongside the ship and hoist the heavy pieces in question from the lighters or dock into the ship's hold.

While, ordinarily, charges for putting cargo on board of ships are absorbed in the rates of freight named, charges for such heavy pieces are never included and must be provided for by the shippers. In all harbors there are special arrangements for taking care of freight of this sort. In New York there are companies which make a specialty of this work, charging \$25 per hour for the use of a floating derrick, the time being calculated from the hour of departure from the home dock to the hour of return after performing the service for which it was engaged. Therefore, a good deal of careful computation on the part of shippers is necessary, in order to avoid waste of time and to provide that the lighter carrying the pieces to be hoisted and the floating derrick will reach the ship at as nearly the same time as possible.

When heavy pieces of cargo are despatched by routes that involve transshipping from the original steamer to another in order to reach the port of destination, such transshipping charges are not absorbed in the through

freight rate that has been named as they are in the case of ordinary cargo. Such transshipping charges are an extra, they follow the goods to their destination, there to be collected from the consignee before delivery, unless special arrangements have been made with the owners or agents of the initial ship taking the goods from this country. When possible, such arrangements are always advisable.

In many instances special provision has to be made in shipping packages of unusual size in some one dimension or in general bulk. The hatches of some steamers will not admit very large pieces. Therefore, these pieces cannot be put below decks and special agreements have to be made for carriage "on deck," which is not always a very safe arrangement and usually involves higher rates of insurance. This paragraph applies, among other things, to such exports as motor or other boats, large boilers, sometimes to automobiles, etc.

A shipment of explosives of any sort sometimes necessitates the exercise of a good deal of ingenuity. All passenger steamers from ports of the United States are forbidden to take explosives as part of their cargo. The term is sometimes extended to include such chemicals as ether and numerous others that are not ordinarily regarded as dangerous explosives, especially when thoroughly sealed. There is, however, a large and prosperous export trade carried on in American gunpowder and other explosives of various descriptions. It is sometimes necessary to ship them by roundabout routes, employing strictly cargo vessels bound for quite different destinations, usually in Europe. A great many more lines of strictly cargo ships are to be found in Europe than in the United States, and for this reason these shipments are

frequently taken to Europe first and there easily make connection for port of ultimate destination. This complication not infrequently affects shipments of gasoline and the consequent limitation of supplies of that fluid sometimes handicaps trade in motors using it as a source of power

Certain forms of acids and other substances, for example, calcium carbide, must be shipped in iron drums and carried "on deck" In forwarding any goods of similar description special arrangements must always be made in advance, covering not only the manner in which the goods will be taken care of but also rates of freight and required forms of packing

### 13. PREPAYMENT OF FREIGHT CHARGES

In former days it was customary for steamship lines to accept cargo subject to collection of charges at destination at the rate agreed upon With reforms in shipping practices generally, this practice has grown less and less with each passing year. Nowadays there are few lines of steamers that do not demand the prepayment of all freight charges on general cargo when a bill of lading is issued Merchants usually find it wise to have a thorough understanding with their customers in this regard. The purchasers may be accustomed to doing business chiefly with other countries from which some steamship lines may still permit freight charges to go forward. Such consignees may in some instances enjoy certain privileges or rebates of one sort or another not available at the port of shipment and hence they will be dissatisfied when prepaid freight charges are unexpectedly included in the shipper's invoice.

## 14. PRIMAGE

On the Atlantic lines and on a good many other steamship services from ports of this country, the old custom of charging what is known as "primage" on freight rates still prevails, although in many parts of the world it has now been abolished. Primage is usually explained as a charge made in the early days of the shipping industry, intended to pay the captain of a vessel or his officers and crew for devoting what was expected to be special attention to the safe loading and stowage of cargo. Any such disposition of funds so derived was long ago done away with and the charge today is virtually an addition to the freight rate. In some instances it may apply toward the remuneration of the local agents of the ship. The primage charges are usually either five or ten per cent of the rate of freight. That is to say, if the rate quoted is 40 shillings plus 10 per cent primage, it virtually amounts to paying a rate of 44 shillings per ton. It may here be mentioned that primage has come to fulfill another office, namely, supplying a fund for the payment of the popularly condemned "deferred rebates." This matter is more fully explained in the next chapter.

In passing, it may be remarked that in some trades rebates to shippers on the total amounts of the freights that have been paid for a given period of time are graduated on a scale according to the sum of such freight moneys. Thus, in the New York-Bermuda trade, importers in Bermuda have received a rebate of ten per cent if the freight, paid in the course of a year has amounted to from \$100 to \$1,000, fifteen per cent on freights from \$1,000 to \$1,500, and twenty per cent on freights from \$1,500 up.

## 15 SOME COMMON SYMBOLS

At this point we ought to consider another matter intimately connected with shipping, prices, rates, etc., of which inexperienced shippers should take careful note, namely, the use of the symbol "f o b," or "free on board." Properly speaking, f o b. means, and should mean only, the delivery of goods free of charge on board of an outgoing ocean vessel. For use in any other sense the phrase, or the abbreviation, should be accompanied by an explanation. The necessity for this is not always appreciated, especially by inland shippers, who sometimes quote "f o b factory" or "f o b railway" or "f. o. b. New York." The first of these expressions is used sometimes to indicate that all charges are extra, even the cartage to the railway station, and sometimes that the goods are delivered to the railway, "f. o b. railway" indicates that the quotation includes the costs of putting on board cars, "f. o b. New York," most uncertain and indefinite of all, may imply simply that freight is paid to New York and that transfer to the outgoing vessel will be extra, or it may be used in its proper sense of delivery on board of the vessel. It is a pity that the phrase should be so misused as it has been in the past with the consequent growth of uncertainty as to its exact significance. Hence, it is advisable in correspondence with foreign importers to qualify the expression in making quotations, etc., with an explanation of exactly what is covered. The rule in all foreign business transactions is Simplicity, clearness, exactness, beyond the possibility of misunderstandings.

Another symbol frequently used is the abbreviation "f. a s." which translates into "free alongside" and is

used chiefly, if not exclusively, with reference to heavy goods which must be hoisted on board vessel by outside power, for which a charge is made, whereas rates on ordinary cargo include the use of ship's winches, crew, stevedores, etc.

In conclusion, it may be well also to note the significance of another phrase frequently used in export relations and abbreviated "c i. f." These letters stand for "cost, insurance, and freight", they imply the delivery of goods on board of the steamship, the prepayment (or crediting) of freight to the port of destination, and the adequate insurance of the goods against ordinary sea risks. Such quotations are very useful to exporters, since they leave no uncertainties on the part of customers as to the costs of goods. The shipper's correspondents know exactly what the goods that are offered will cost delivered at their port.

It should be noted that the expression "c i. f." covers nothing excepting the items named above. No charges for lighterage at destination, quay dues, custom-house duties, or anything of that sort are included, nor are charges at the port of shipment for consular invoices or extras of any nature. It is frequently advisable, however, when quoting prices in this fashion, to indicate specifically just what will be covered in order to avoid chances of possible misunderstandings. It may be hinted that if prices quoted c i. f. are named in the currency of the country of destination, providing that country has a stable currency on a gold basis, or in the world's great commercial currency of British Sterling, prospective customers are still further pleased, since they then know just what they have to pay, in money with which they are well acquainted. Moreover, such quotations are al-



ways made to include a little extra profit for the shipper because, in any case, estimates must not be too close but must cover possible fluctuations in freight rates, etc. The shipper is always quite safe in calculating that his customer will be willing to pay a somewhat better price in return for quotations in terms that leave nothing to guesswork or chance

. The symbol "c. a. f." is sometimes explained as "cost and freight," but in that sense it is properly written "c. & f." The true meaning of c. a. f. is identical with c. i. f., having its origin and main use in transactions with French-speaking correspondents and representing the French words *cout, assurance, fret*. The expression "c i f e," or "c. i. f. and e," is common in the trade with some British colonies, notably Australia and South Africa, and adds to the items of cost, insurance, and freight the element of "exchange"

### TEST QUESTIONS

1 Why does competition in ocean freight rates differ from competition in rates by railroads?

2 How many standard tank railway cars are required to load the oil carrier, San Gregorio?

3 How does the cost of transportation on water compare with the cost of transportation on land?

4. Explain the use of the terms ton and hundredweight as a basis for ocean freight rates

5 How does the English or Imperial gallon differ from the American gallon?

6 What is the cubical content of the measurement ton on steamers? On sailing vessels?

7 What is meant by the expression "measures more than it weighs"?

8 Explain why there is such a lack of uniformity in quoting rates on ocean carriers

9 What attempts have been made to classify freights on ocean carriers?

10 What influence does American railway practice have upon ocean freight methods?

11 What is meant by chartering a vessel? Distinguish between trip and time charters. What is the basis of compensation?

12 To what extent is a standard form used for a charter party?

13 What is meant by "lay days"?

14 What risks does the shipowner assume with reference to the goods which he carries?

15 Why do charter rates fluctuate so greatly in value?

16 What influence does the tramp steamer have upon line rates?

17 Enumerate the commonest forms of charter parties.

18 What is meant by the warranty in a charter party?

19 Distinguish between general cargo and special cargo.

20 Why is it impossible to obtain in New York an ocean freight rate or commodity classification governing shipments to most parts of the world?

21 What is the practice with reference to the Central American and West Indian trade?

22 What factors are chiefly instrumental in causing fluctuations in ocean freight rates?

23 How do the trans-oceanic freight rates compare with the coastwise freight rates in the United States?

24 In what ways are differentials in rail rates in the interior to seaports used in connection with foreign commerce?

25 To what extent have European countries modified inland rates on export goods?

26 What are some of the details affecting the manner of shipping and the rates on extra heavy goods, explosives, certain chemicals, etc.?

27 What is the usual practice with respect to prepayment of ocean freight charges?

28 What is meant by primage?

29 What precautions are necessary in the use of the symbol f o b ?

30 What other symbols are frequently used in connection with export shipments?

## CHAPTER VII

### SHIPPING AGREEMENTS, POOLS, AND CONFERENCES

#### 1. GENERAL CHARACTERISTICS

##### *(a) Existence Acknowledged*

Judge J W. Alexander, Chairman of the House Committee on Merchant Marine and Fisheries, which has recently investigated shipping combinations, made the following announcement on June 13, 1913.

In the trade with foreign ports the committee found at least seventy-six agreements or understandings whose purpose was to fix and maintain rates, regulate the traffic, and in many instances, pool the business. These agreements govern nearly all the regular lines operating in various branches of the American foreign trade to Europe, Africa, South America, and the Caribbean district. Practically all the lines serving both the Atlantic and Pacific seaboard of the United States are members of conferences or work in cooperation through written agreements or oral understandings

If the foregoing statements were the only results of the investigation carried on by this committee during many months, it cannot be said to have discovered anything new, for the fact of the existence of sundry agreements between shipping companies has never been denied during the last forty or fifty years. In the course of this time understandings of one sort or another between steamship lines of all nationalities, in all parts

of the world, have come to public knowledge from time to time, sometimes lasting a month or two, occasionally enduring for several years. For two generations, perhaps not a twelve-month has passed that has not witnessed some development of agreements between shipping companies for mutual protection or benefit, the birth of new combinations, or the death of old ones. Even as far back as 1868, when the British Post-Office advertised for tenders for carrying the mail from Queenstown to New York, it was discovered that the Inman Line and the Cunard Line had formed a "community of interests," agreeing not to underbid each other.

The volumes of testimony taken at the public hearings, as literally printed by the committee, are enlightening as to many of the details of the arrangements between steamship lines and the methods adopted by them to regulate rates, apportion traffic, and divide territories. A close study of these records is to be commended to anyone who seeks a thorough knowledge of existing conditions in the shipping trade<sup>1</sup>

### *(b) Mistaken Popular Impressions*

In these days of widespread public hostility to anything that savors of an approach to a monopoly, the feeling in the United States, perhaps fostered by sentiment against our railways, has undoubtedly been that ocean carriers as a body have united to bleed the Ameri-

<sup>1</sup>Frequent use will be made in this chapter of the testimony printed in the Proceedings of the Committee on the Merchant Marine and Fisheries in the Investigation of Shipping Combinations, Washington, 1913. Credit hereafter, when necessary, will simply be to "Proceedings."

can exporter This has frequently found expression in the writings and speeches of Representatives and Senators, some of them honest in their convictions, others not entirely free from the characteristics of the demagogue, who have been liberal if not logical in their assertions that foreign ship trusts strangle American commerce Wild and injudicious statements of this character, unsupported by a shred of evidence, have been used more or less effectively by advocates of favorite measures for the regeneration of our merchant marine and, as has already been remarked, have found a natural reflex in the attitude of usually shrewd and conservative speakers Such men have taken statements of this character at their face value, without stopping to analyze them intelligently, to say nothing of going to the trouble of investigating personally

Perhaps this explains the fact that we find staid, reliable business men asserting from the platform that American export trade will never grow until we are relieved from the domination of the foreign shipping trusts They pay no regard to figures which demonstrate that our export trade has been advancing by leaps and bounds and give no consideration to the fact that, discrimination or no discrimination against us, we long ago succeeded in passing Germany and now rank second to Great Britain only, as an exporting nation It is difficult to face inanities of this sort in any calm or philosophical spirit.

Assertions that there exists what is so loosely called a "foreign shipping trust," are based on several obviously absurd premises The first assumption is that European shipowners are working against their own interests in sending their boats to ports of the United

States to charge us higher export freight rates than they charge shippers of their own countries in an effort to curtail shipments from this country, second, that foreign shipowners are virtually working for the interest of the flags they carry rather than on behalf of the private shareholders of the several companies; and third, that British, German, Norwegian, and other owners, scores of them, hundreds of them, have entered into a world-wide conspiracy to crush the commerce of the United States. These notions that a business enterprise would deliberately set out to cut its own throat and to get just as little business as possible, have seldom been advanced in any other connection.<sup>2</sup>

### *(c) Peculiar Conditions in the Shipping Trade*

In studying the question of agreements affecting the carriage of goods by sea, it is necessary at the outset to distinguish once more between regular lines and tramp ships. No agreements of any sort ever have been or can be possible between the numberless tramp vessels. These, as has been explained, operate not in any regular service but go from port to port, perhaps in widely separated continents, wherever a shipper may be found who is willing to buy their services. It is only among the regular liners that combinations are possible.

<sup>2</sup> "In most of the long voyage trades from ports of the United States the tonnage is supplied by British and German lines, which also maintain services from their own countries to the same ports of destination overseas. If such lines wished to favor the merchants of their own nations it is obvious that they would not engage at all in furnishing tonnage from the United States by means of which American merchants could compete with the merchants of their own nations." Proceedings, page 1372

Again, it must be pointed out that water transportation differs so radically from railroading that the two are hardly comparable in any respect, including this great question of monopolies. A railroad obtains a franchise from the State and under this franchise possesses special powers and privileges, including the right of eminent domain. Without these special privileges, a railroad cannot be built. When once constructed, it possesses certain advantages of local trade along its line. It becomes a public utility. On the other hand, practically anybody can own or lease a ship and owners of ships can dispose of their vessels, if they are unprofitable, with consummate ease as compared with the disposal of a railway system. Competition in ocean rates and services is often fierce, it frequently reaches acute degrees unknown in the railroad business. Steamship lines, fighting each other for the control of a trade or predominance in it, often enough with an effort on the part of one to eliminate another from the field, have on more than one occasion been known to lose hundreds of thousands of dollars in the course of a single year.

#### *(d) Vogue of Shipping Agreements*

Agreements entered into by steamship lines engaged in trade between the United States and foreign countries are practically identical in both character and provisions with those in force in all the principal maritime nations. Contrary to the notion which some speakers on this subject have seemed eager to foster, agreements are not restricted to the trade with the United States. They are not even unusually noticeable here, but are universally known and in force throughout the shipping world. Be-

fore we ever had a legislative committee charged with an investigation of such combinations, or before the United States Attorney General ever instituted suits against shipping companies under the Sherman Law, importers in South Africa and in Australasia complained bitterly of their domination by the great British interests controlling shipments from Europe. Beginning in 1906 a Royal Commission in England spent months in a fruitless investigation of "shipping rings."

The various forms of combinations that are to be found among shipping companies are equally as noticeable in the lines plying from European ports to South America, to Australia, and to the Far East, as they are in lines plying to the United States. Such combinations are not restricted to the American trade; in fact, in this trade they are sometimes merely the extension of similar agreements in force between European lines in other services. Nor are combinations exclusively between European owners; all of the strictly American owners are parties to them. It is probable that they have come to stay or, as expressed by Mr. A. A. Booth, Chairman of the Cunard Steamship Company: "Unrestricted competition has been broken down in the transport business on sea or land. In every highly developed country the trend is toward co-operation in shipping, or if that is impossible then some form of regulation and control."<sup>3</sup>

#### *(e) Existing Conferences in the Shipping Trades*

Evidence produced before the Committee of the House of Representatives Investigating Shipping Combinations

<sup>3</sup> Address on *The Shipowners' Business* before the Faculty of Commerce of Armstrong College, Newcastle, England, October 25, 1913, as reported in the *London Times*.



and reports obtained by that committee from American diplomatic and consular officers in various parts of the world brought to public knowledge the existence of the following among other principal combinations of ocean carriers operating to and from ports of the United States -

(1) The North Atlantic Freight Association, composed of the Allen Line, American Line, Anchor Line, Canadian Pacific Atlantic Lines, Cunard Line, Dominion Line, Donaldson Line, Canadian Northern (Royal) Line, and the White Star Line, (2) agreements as to North Atlantic passenger traffic on the part of the lines just named and, in addition, the Hamburg-American, North German Lloyd, and Red Star lines, and (3) the Baltic Pool, composed of the Wilson Line, the two great German lines, and the Danish line

The lines from the United States to India in conference include the Hansa and the American-Indian lines. The Japanese conference includes the Pacific Mail, the Canadian Pacific, the China Mutual, the Great Northern, the Bank Line, the Ocean Steamship Company, the Nippon Yusen Kaisha, the Osaka Shosen Kaisha, and the Toyo Kisen Kaisha.

The Prince, the Lamport & Holt, and the Hamburg-South American lines are included in the American-Brazilian conference. In the River Plate service the Lamport & Holt, the Houston, the Prince, the Barber, and the American-Rio Plata lines are in conference. In the trade with the west coast of South America the companies concerned have no agreement, but maintain rates.

In the trade with Jamaica, the Royal Mail, the Hamburg-American Atlas, and the Royal Dutch West India Mail operate in an agreement to which the United Fruit

Company tacitly adheres. In the trade of the Caribbean Sea, the Royal Mail Steam Packet Company and the Hamburg-American Atlas Line have a pooling arrangement both as to freight and passengers, while the United Fruit Company, though not a party to that agreement, maintains the other companies' rates, as does the Government's Panama Steamship Line so far as trade with the isthmus is concerned.

The New York and South African business is carried on by agreement between the Union-Castle, Bucknall, Clan, Hansa, Houston, and Prince lines. The Australian trade is operated under agreements between the United Tyser, American & Australasian, United States and Australasian, and White Star lines.

#### *(f) Kinds of Agreements*

There are two distinct kinds of combinations in which steamship lines may join—the conference and the pool. The conference may be merely a “gentleman's agreement” involving little more than occasional meetings of the interested managers to discuss administrative methods, forms of bills of lading, methods of receiving and delivering cargo, etc. Sometimes it is loose and general and simply commands the adherence of the lines entering into it through motives of self-interest. In other cases, however, it is strong—written, signed, and sealed—visiting severe penalties on any of the heavily bonded signers who may violate its terms. Those terms may refer to the regulation of freight rates between competing lines, to the apportionment of tonnage on certain services, to the classification of commodities, to the number of ships that are to be operated by the companies

concerned, or to the division of territories between the lines. The terms of a conference may include one, or several, or all, of these provisions.

A steamship pool involves the pooling of earnings, or the dividing of profits, between the competing lines. The most important pools have been devoted to the regulation of emigrant traffic from Europe to the United States. This sort of pool was brought into prominence during the summer of 1913 because of the quarrel that broke out between the two great German trans-Atlantic companies, parties to the North Atlantic Pool, the one insisting upon receiving a larger percentage of the emigration earnings than provided by the terms of the agreement. Under these terms the North German Lloyd was to receive 57 per cent and the Hamburg-American 43 per cent of the steerage business from German ports.

The Hamburg-American demanded a readjustment of these ratios, asserting that the greater tonnage of its fleet, especially with the new ships of the *Imperator* class, entitled it to a larger share of the traffic. These lines are able to parcel out the emigrants among themselves through a rigid surveillance over emigrants crossing Germany for seaports. The Hamburg and Bremen lines operate ten so-called "control stations" at points adjacent to the Russian, Austrian, and other frontiers, and segregate the emigrants into batches for Hamburg or Bremen, in accordance with quotas allotted to each port under the pool agreement.

Pools may, however, involve the freight earnings of competing lines and cabin as well as steerage passenger earnings. At the present writing it does not much matter what line a passenger chooses for the journey from New

York to Jamaica, for example, as the fare which he pays goes into the treasury of a pool existing between the principal lines on this service.

## 2. ADVANTAGES CLAIMED FOR POOLS AND CONFERENCES

Advantages which are said to result from conference agreements among shipping lines, which would be partially abolished were pooling eliminated, are thus enumerated by them.

(a) The institution and maintenance of regular and frequent sailings, by which the desire of merchants to forward their goods at regular and frequent intervals is satisfied

(b) The provision of steamers of a higher class and speed than the ordinary tramp vessels, thus permitting merchants to obtain the most favorable rates of insurance on their shipments and to make deliveries in accordance with their advance contracts

(c) The maintenance of rates from the United States at about the level of rates charged by lines trading from foreign countries to the ports served by the conference steamers, thus enabling American merchants to compete with merchants of other countries.

(d) The maintenance of uniform rates of freight to all shippers, large and small alike

(e) The provision of ample facilities and tonnage, so that merchants can rely upon the forwarding and delivery of goods in respect of which they may have made, or may wish to make, advance contracts

(f) The establishment of economies in the delivery of cargo at outports, or ports of minor importance, in which there are new or growing trades, thereby effecting savings in the cost of distribution

(g) The provision of adequate terminal facilities which enable merchants to accumulate their shipments on the piers in advance of the actual loading of vessels, thereby saving the expense of storage in warehouses or lighters

Although some of these claims are privately ridiculed by shippers of experience, who yet cannot be induced to put themselves on public record through undisguised fear of incurring the enmity of the lines, yet there are strong arguments in support of the principal clauses, which it is worth while explaining. In fact, it is probable that the majority of regular shippers agree that the position of the lines is justified as a whole.

*(a) Regular and Frequent Sailings*

The South African trade is given as an example of the advantages of regular and frequent sailings. An average of four steamers a month sail from New York to South Africa at fairly regular intervals. The cargo ships employed require about thirty days to complete this voyage, a distance of approximately 7,000 miles. Allowing thirty days for discharge at various South African ports and another thirty days for the voyage back in ballast, three months would elapse before the earliest possible return of the steamer. If the trade were worked by a single owner, he would have to furnish a fleet of twelve steamers to provide the present service. It is alleged that this would be unprofitable.

Moreover, if a steamship owner, desiring to get the best results from his steamers, were to send them from South African ports to Australia or India to get cargo for Europe (or possibly the United States) and return from Europe to New York in ballast, it would take five or six months for each vessel to complete the voyage and at least twenty-five steamers would have to be put into that trade. It is asserted that no one owner is in a position to do this and that it requires the combination of a

number of owners operating various trades to all parts of the world, working in close alliance and exchanging sailings as it may be necessary, or as ships of one owner are delayed or happen to be more readily available <sup>4</sup>

*(b) Higher Class and Speed of Vessels*

In a large and developing trade all classes of boats are required. Costly passenger and mail boats, medium fast freight boats, ordinary freight boats, and specially constructed boats (e g, with refrigerator space). The agent for a prominent South American line argues that if these various classes of boats are in a pool or partnership, each special class is willing to go ahead and perform its special duty without envying the class that is a little higher up, or without waiting until a particular class of boats fills, if the good of the trade requires frequency of service. It is only under such an arrangement that separate owners will act thus disinterestedly and get their pay out of the common whole.

In the absence of a pool, each boat or line being on its own merits, the temptation is irresistible to make the most money possible out of a particular boat. An ordinary freight boat will constantly try to get the class of freight that belongs to the fast freight service, and boats that should sail at ten-day intervals will hold over and wait for cargo, thus disarranging service and systems. Unless the steamers of all lines serving a particular trade are of equal type, speed, and equipment, equal rates cannot be maintained by all, as shippers will not give their highest-class merchandise, which is the better-paying cargo, to the inferior boats. The less desirable boats could obtain

<sup>4</sup> Proceedings, pages 283 and 1359.

only the less desirable and less remunerative cargo. By means of pooling, the weaker line is compensated for its failure to obtain a fair share of the more remunerative goods and, by co-operating with the strong line, adds to the total of the shipping facilities which the trade may reasonably require<sup>5</sup>

*(c) Equalizing American and European Rates*

The testimony of practically every witness before the Committee of the House of Representatives proved that rates from the United States in many, if not all, the trades are fixed in competition with the rates of lines trading to the same points from foreign countries and on a parity with those rates in most cases. The conference lines declare emphatically that it is in their interest to fix a price for transportation that will develop and increase the American product, for an unreasonable rate of freight would curtail shipments and act automatically to the detriment and loss of the lines<sup>6</sup>. Similarly, conferences between European lines to the Far East, etc., made equal rates from British and Continental ports. By agreement between the lines concerned, freight rates from Hamburg and Liverpool, for example, to Yokohama, are practically identical. When a German line two or three years ago established a service to the east coast of Africa, considerable perturbation was manifested in British circles. A quick agreement, however, was reached between the German and the British lines, resulting in identical freight rates

<sup>5</sup> Proceedings, pages 975, 1368, etc

<sup>6</sup> Proceedings, pages 1359, 1362, 1366, and testimony of all witnesses.

*(d) Uniform Rates of Freight*

The conference people contend that, as a matter of policy, it is not to the interest of the steamship lines to make the large shippers still larger, but yet it is necessary to reckon with the demands which large shippers are in a position to make. When their shipments are large enough to justify the chartering of tramp steamers, large shippers (the oil, steel, and harvester "trusts," etc.) are in a position to enforce rates which are generally somewhat below the current charter rates. The class of merchandise shipped by the small exporters is ordinarily of an entirely different nature, consisting of articles of greater value, which can readily pay an increased rate of freight.

It is pointed out that railroads are permitted to charge a higher rate for less-than-carload lots and to make classifications based on the nature and value of goods shipped, charging higher rates on goods of higher value. As a rule, however, the steamship lines obtain the same rate of freight from all the smaller shipments and no differential rate is made on account of the difference in value. If the large shipments referred to could not be secured, the smaller shippers would have to pay enhanced rates of freight and would suffer from the necessary curtailment of sailings. Some of the leading men in New York shipping circles have said that the only alternative to the conference or pool, to ensure regularity of service, etc., is the system of long-term special contracts with individual shippers, at such rates as might be possible in each case. This system is regarded as iniquitous and leading to chaos. "It is the constant experience of lines that the small shipper of today becomes the large



and powerful shipper of tomorrow, and the line which would neglect or oppress him when weak can hardly expect his support when he becomes strong''<sup>7</sup>

*(e) Ample Facilities and Tonnage*

Under unrestricted competition several ships may sail the same day or the same week, destined for the same port or ports, and consequently there may be no other sailing for a considerable period. When lines are working in co-operation they agree not only as to the time of sailing, but as to the ports, thus avoiding the waste involved in several ships calling at ports which require only one, and giving an excessive tonnage on one date and a corresponding lack of tonnage at other times<sup>8</sup>

*(f) Reaching Ports of Minor Importance*

On most so-called long-voyage routes there are a number of ports of destination. An owner attempting to serve them all would not only increase his expenses enormously, but would also cause dissatisfaction to the receivers at the later ports of discharge because of the undue length of voyage.

"In order to compete with Europe at European rates several services must be run on each route. The traffic must be handled not only in the most economical, but also in the quickest manner possible. Therefore, the tendency would be for an individual line to avoid calling at the less important ports, in order to obviate loss of

<sup>7</sup> Proceedings, pages 1365-7

<sup>8</sup> Proceedings, page 1362

time, extra steaming, and additional port charges. If, however, a line knows that it will be compensated by its associated lines, it will serve the undesirable ports of call as frequently as the trade may reasonably require. Without pooling, this country would be without communication with many comparatively unimportant ports throughout the world. Unless the different owners are permitted to equalize the results of these various voyages each would have to resort to the system of visiting all ports (requiring advanced freight rates) or but a few ports."<sup>9</sup>

Such are some of the discussions advanced in support of their practices by members of the conference steamship lines. That several of the points made are strong, if not convincing, is not to be denied. What of the reverse argument?

### 3 OBJECTIONS TO SHIPPING CONFERENCES AND POOLS

The Resolution<sup>10</sup> adopted by the House of Representatives, under which its Committee on the Merchant Marine and Fisheries pursued its investigation of 1912-13, discloses in its terms the suspicions entertained as to the beneficent effects of pools and conferences. Briefly, the Committee was instructed to determine (1) whether agreements, pools, and conferences exist among shipping companies; (2) if so, whether for the purpose of fixing rates, giving rebates or special rates, dividing earnings, or preventing and destroying competition; (3) if publication of methods, rates, and practices in the United States is prevented; (4) whether vessels engaged in our

<sup>9</sup> Proceedings, page 1308

<sup>10</sup> House Resolution 587, Sixty-second Congress, second session.

foreign commerce are subsidized by foreign nations; (5) to what extent lines of ships are controlled by railway companies or by other shipping companies; (6) whether methods or practices of foreign steamship lines are in contravention to our commercial treaties or in violation of our laws; (7) what effect such practices have on the commerce and freight rates of the United States, etc., etc.

Facts, already known, were proved by the testimony taken, viz, that conferences and pools do exist; that they do fix rates, give rebates (now in only a few services), pool earnings, and attempt to prevent competition; that some lines are subsidized by foreign nations (although the Committee seems to have lost sight of this feature in its instructions and no information of value was brought out); and that a very limited number of lines are controlled by railway companies. But the legality of methods and practices and their effect on our commerce and freight rates were points not brought out in a manner at all satisfactory to the investigators

### *(a) Conferences Dictate Freight Rates*

It happened that the investigation was carried on at the time when the highest ocean freight rates known in years were ruling and very limited attention was paid to inquiries as to whether rates, as admittedly fixed by conference lines, were equitable or not. The steamship men claimed they were and pointed to the facts that increased rates were not confined to lines serving this country alone but were caused by the increased volume of exports and imports all over the world; that tramp steamers control freight rates on all bulk articles; and that the factor most largely instrumental in raising the

rates of the lines was the great increase in the chartering value of tramps, due to the world-wide demand for all available tonnage of that character. It seems clear enough, however, that conferences and pools naturally and inevitably will, under all circumstances, maintain rates at the highest point deemed consistent with conditions and not likely to restrict trade. Stability and uniformity of rates thus secured are undeniably advantageous, although it may be doubted if shippers, did they feel free to express themselves, would unanimously endorse that economic doctrine.

The conference lines plead that they establish their rates on freight from ports of the United States to foreign ports on the same or approximately the same basis as rates from Europe to the same ports, thus enabling American merchants to compete with merchants of other countries. In the main, their contention is actually the fact. Statements that rates on American goods are higher than rates on similar commodities from England or Germany are constantly encountered. However, they are never backed by evidence that will bear investigation; in fact, evidence of any sort is infrequently, it may be said never, presented. In the great majority of cases it is certainly true that rates from the United States compare favorably with rates from Europe.

Many complaints of discrimination in freight rates against American and in favor of European shippers reach the "American Exporter," with which the author is connected. That publication has tried to investigate those that seemed to be preferred intelligently and in good faith. In not one single instance has it ever succeeded in obtaining documentary evidence or aught save the bare word of complainants.

To satisfy himself as to comparative ocean freight rates in general, the author some time ago induced friends in London and friends in Berlin to secure rates from England and from Germany at the same time that rates were secured in New York on a hypothetical shipment of a specified quantity of machinery that is manufactured in all three countries, packages, weights, measures, and values as well as approximate time of shipment being carefully calculated and identical in each case. The inquirers for rates were established merchants, accustomed to shipping, whose requests for quotations could occasion no suspicion on the part of the steamship companies as to any ulterior motives. The rates thus obtained are set forth in Figure 20 and may be accepted as actually representing competitive positions of shippers in these countries at the time in question.

The principle involved in the foregoing discussion, equalizing of rates, is not per se a true or scientific basis for the establishment of freight rates. It is purely arbitrary and may, or may not, be fair and just. Furthermore, it is seriously to be doubted if the steamship companies' contention is well founded that rates made on the basis of cost and character of the service performed, plus a reasonable profit, would result in an enhancement of American rates.

The man familiar with conditions is likely to question the justice of equal rates from New York and from Liverpool to Jamaica, for instance. Then, if this principle is maintained, what is going to happen to rates from New York to New Zealand after the opening of the Panama Canal? Will they still be maintained on the European basis when Auckland is brought 4,000 miles nearer New York than to Liverpool?

To	FROM NEW YORK	FROM ENGLAND	FROM GERMANY
	PER TON, WEIGHT, OR MEASURE	PER TON, WEIGHT, OR MEASURE	PER 1,000 KILOGRAMS OR 1 CU METER
Constantinople	20/- + 5%	20/- + 15%	
Alexandria	20/- + 5%	22/6 + 10%	
Sydney	42/6 net	37/6 + 10%	38 1/2 M <sup>2</sup> - 10%
Yokohama	40/-	42/6 + 10%	42 1/2 M + 10%
Shanghai	40/- - 10%	45/- + 10%	45 M + 10%
Calcutta	25/-	15/- + 10%	48 M
		17/6 + 10%	
Durban	40/-	30/- + 10%	
Rio de Janeiro	\$10 + 10%	45/- + 10% and 7/6 net	41 1/2 M per cu meter
Buenos Aires	\$6 40	32/6 + 10%	25 M per cu meter
Valparaiso	26c per cu ft + 5% = \$10 40	50/- + 10%	52 1/2 M less 10% meter
Genoa	15/- + 5%	15/-	
Barcelona	25/- + 5%	20/- + 10%	30 M

<sup>1</sup> 20/- = 20 shillings, no pence

<sup>2</sup> M = marks

German rates are quoted in marks per cubic meter (35<sup>4</sup> cubic feet) or per 1,000 kilograms (2,205 pounds) and in order to compare on exactly even terms with other rates should be increased by a small fraction, although the mark may be taken as practically identical in value to the shilling

FIG 20—Comparative Ocean Freight Rates from New York, England, and Germany to Specified Ports

On the whole, however, it is not to be denied that American exporters and importers have fared very well at the hands of the conferences and but few of the broad-gauge, large-calibre men among them will be found complaining of existing conditions or facilities. Meanwhile, the lines profess themselves always ready to remedy inequalities in service or rates that may be brought to their attention and there seems no good reason to doubt their good faith in such professions. Evidently, the shipping business is not, and cannot be, subject to the same degree of efficient management as a factory or railway system.

*(b) Preferential Rates*

As to the granting of special rates to big shippers the evidence brought out at the investigation was rather surprising in the few instances of this practice which were proved. Indeed, one of the strongest features of conference agreements among the lines seems to be the highly independent attitude they are enabled to assume. None the less, they face the constant menace that big shippers will charter tramps for full cargo shipments, rather than spread their tonnage over a term of weeks or months in patronizing liners for smaller individual shipments. Moreover, in some cases, new and trial services are absolutely dependent for support on the bulk cargo supplied by some of the trusts<sup>11</sup>

*(c) Railroad Influence*

That familiar bogey, "railroad ownership" has projected itself into even the operations of steamships in foreign trades. It is certain, however, that no matter what the relations existing between a railroad and a steamship line are in such trades, serious effects on commerce in general are not to be discovered or anticipated. A railroad, or, more likely, two or several railroads, may control the foreign commerce of a particular port through ownership of terminal facilities, but the nationwide movement toward municipal control of harbor facilities bids fair to abolish completely such conditions. Then, too, the number and proximity of good harbors along the coasts of the United States ensures such fierce rivalry between the various cities that any considerable degree of railway domination of that foreign commerce is an obvious impossibility.

<sup>11</sup> See Proceedings, page 340 re New York-Java service

On the other hand, efforts of railroads to obtain overseas' facilities and outlets for their freight have resulted in large additions to our foreign steamship services. What is known as the International Mercantile Marine Company developed from two steamship lines originally started by American railways, namely, that which in recent years has been known as the American Line, originally established by the Pennsylvania Railroad for the transportation of its freight from Philadelphia to Europe, before the road had obtained an exit at New York, and the Atlantic Transport Line, which was originally started by the Baltimore & Ohio as its trans-Atlantic outlet from Baltimore.

The Pacific Mail from San Francisco to Central America and to Japan and China is a Southern Pacific Railroad enterprise. The Pacific Coast Steamship Company is a Great Northern Line, as is the Oriental service which takes the railroad's name, still operated, though of late with only one vessel. (Two new ships are said to be building for it.)

The Chesapeake & Ohio established the line from Newport News to Europe, which until recently bore its name. The Louisville & Nashville is responsible for the development of Pensacola, Fla., as a port. The Philadelphia & Reading has operated a line from Philadelphia to Europe and the Illinois Central is responsible for much of the great development at New Orleans, while the influence of other railways at Texan ports is well known. The Erie Railroad, it is said, has for several years been back of an independent line from New York to Holland, reported to be the Uranium Steamship Company, which was recently brought into public notice by the burning of one of its boats, the *Volturno*. According



to common report, this line has had a rather severe struggle for existence in opposition to the conference lines, being able to obtain comparatively small percentages of the emigration traffic and freights from Europe.

*(d) Conferences Aim to Kill Off Competition*

In preventing and destroying competition lies one of the strongest charges in the indictment of pools and conferences. Not the smallest doubt exists as to the intentions of lines working in agreements or as to their actual methods in this regard. Besides endeavoring so to fix freight rates, arrange sailings, and regulate traffic in general as to make their enterprises profitable, the companies concerned in conferences or pools generally attempt to forbid the establishment of new or competing lines. Repeated complaints of the practices of the older companies in their efforts to drive away newcomers have been entered by owners and agents desirous of establishing a new service in competition with existing lines.

As a rule, the newcomer in any given trade is obliged to fight his way to admission into the conference, yet sometimes when the new line is backed by experienced, practical shipping people with plenty of money, the old lines deem it wiser to yield at once. That result is, of course, all that the independent wants, since he is not assuming the position of a charitable institution and operating his ships for the benefit of the public. He seeks only a fair share of what he thinks is, or may be, a profitable business.

In the majority of cases the result has been the admission of the independent line (sometimes after fights

lasting as long as ten years). Few instances, comparatively speaking, are recorded of a new line being actually forced out, those few having, for the most part, been started by amateurs or without sufficient financial backing. In principle, steamship lines do not want fights. "They mean an enormous amount of work and worry. Nobody has any idea of what we have sometimes gone through when we were carrying freight at \$2 a ton 16,000 miles, the rate of freight you pay when you want to ship cargo from New York to Newport News. We do not want it at all. We would rather not have a fight."<sup>12</sup> Yet the steamship man who makes this statement acknowledges that as a rule the lines do fight to drive a competitor out rather than take him peacefully into their agreement.

The point is well illustrated by the history of the New York-Caribbean Lines. Until about 1900, the only regular line serving the trade between the United States and this district was an English corporation known as the Atlas Line. This company was old-fashioned, unprogressive, and was making no money. Its ships were antiquated and inadequate for the trade. The Hamburg-American Line then purchased the company, rejuvenated the line, and put the steamers under the German flag. About five years later, just about the time that the venture was beginning to become profitable for the German line, the Royal Mail Steam Packet Company determined to extend its service, then running between England and the West Indies, on to New York, thus competing with the Hamburg Line. A rate war ensued which lasted for two years. At the end of this period neither company had succeeded in eliminating the other. The

<sup>12</sup> Proceedings, page 813

natural result was that they came together. Trade grew rapidly and both companies were able to prosper.

At this juncture the United Fruit Company decided to go into the steamship business as a common carrier to handle passengers and general merchandise as well as its own products. The Hamburg and the Royal Mail lines, as partners in the trade, decided to admit the United Fruit Company without a protest, because both knew the folly of attempting to fight an organization of the latter's experience and resources <sup>13</sup>

(e) "*Fighting Ships*"

But there is a still more serious aspect of this disposition on the part of established lines working under agreements among themselves; recourse is sometimes had to "fighting ships," which some of the shipping people themselves condemn as unjustifiable and illegal.

Various lines, when engaged in an attempt to starve out a would-be competitor, have secretly put chartered and nominally independent boats on the berth in a disputed port. These boats cut freight rates far under quotations of the competing boat then loading for the same port of destination. It remained, however, for some of the great German lines to formulate this practice into a business.

There was organized in Hamburg in 1905 what is known as the Syndikats-Rhederei, nominally a ship-owning company whose vessels are for charter in the ordinary way, when not required by any of the real owners of the company for fighting purposes. It is perfectly well understood, if not generally and publicly acknowl-

<sup>13</sup> Proceedings, pages 543-4

edged, that the company in question was formed and is still owned by six large Hamburg steamship lines<sup>14</sup> and that its object was to supply apparently independent vessels to the owners when required to meet competition and drive it away. Such vessels would bid against ships of a new line in any trade in which the owner-companies were interested, taking the bulk cargo and thus bearing the stress of the competition, while the ships of the parent company would so far as possible maintain regular rates on higher class goods. In at least one instance of an attempt of a competitor to enter the trade between Europe and Cuba and Mexico, these fighting ships seem not to have been entirely successful, for the newcomer was finally admitted to the conference. It is, however, acknowledged that the practice is indefensible and must be abolished.

### *(f) Deferred Rebates*

One of the favorite weapons of a steamship conference in endeavoring to ensure patronage of the conference lines by shippers, has been the so-called rebate system, properly the "deferred rebate." Under this system shippers by the conference lines have been given a rebate, usually of five or ten per cent on the amount of the freight moneys that have been paid at the end of

<sup>14</sup> The capital of the Syndikats-Rhederei is said to be \$1,428,000, contributed as follows (Proceedings, page 825) :

Hamburg-American Line . . . . .	\$785,400
Hamburg-South American Line . . . . .	166,600
German Steamship Company . . . . .	154,700
German-Australian Steamship Company . . . . .	130,900
C. Woermann . . . . .	119,000
German East Africa Company . . . . .	71,400

six months or a year; this is done providing they have meanwhile restricted their shipments exclusively to boats of the conference lines and have made no shipments by competing lines.

Owing to the actual institution of suits by the Attorney General under the Sherman Law, the rebate system at ports of the United States is understood to have been practically done away with, although it still exists in some other countries.<sup>15</sup> According to the conference lines, "The system of deferred rebates to loyal shippers has none of the evils of the secret rebate which was formerly employed by railroads. Rebates which exist in certain trades from distant countries to the United States are open and public. Any merchant may obtain the benefit of this published allowance by complying with the terms of the circulars.

"Under this system large and small shippers are treated absolutely alike. \* \* \* Under that system the merchant signs no agreement binding him for the future. He is only bound to the extent of his accrued rebate. Except for this measureable sacrifice he is a free agent and can always avail himself of any opposition that offers him advantages sufficient to compensate him for his loss of rebates, and is also in a position to obtain from the conference lines the advantage of any fall in current freight rates during the period covered by the rebate agreement. Under a contract for the shipment of a fixed quantity, or for all shipments made within a fixed period of time, the merchant fetters his future action and is deprived of all opportunity to avail himself of

<sup>15</sup> A rebate of 10 per cent is still paid to United States shippers to Kingston, Jamaica, by the Royal Mail, the Atlas Service, and the United Fruit Company

lower rates which may be offered in or out of the conference during the period that would otherwise be covered by his agreement.”<sup>10</sup>

How powerful a weapon the deferred rebate is in the hands of a shipping conference will be immediately recognized. While the occasional or haphazard shipper has no need to worry about shipping facilities, the regular and large shippers—the people upon whose patronage the lines depend—demand for the successful conduct of their business regular sailings of ample tonnage.

Often enough new lines attempting to enter a market cannot begin to supply the service that is regularly furnished to that market by the old and well established companies. To forsake the old companies, to surrender his accrued rebates due from them, and render himself liable to their boycott by passing his shipments to the new non-conference line, constitute a step that the cautious business man hesitates to take, no matter what the immediate inducement in lower freight rates may be. There is seldom any assurance that a newcomer in the trade will be permanent. He may try to obtain a footing, but may give up the effort after a few months. For such reasons the non-conference line always has a difficult task before it and one that usually occupies many months if not years and may involve losses aggregating many thousands, possibly hundreds of thousands of dollars.

In a way, the deferred rebate system may be likened to what is known as a “lock out” in industrial disputes. It is doubtful if a shipper who has once deserted the services of a conference to patronize an independent line would be welcomed back by conference ships, at least

immediately and without friction, unless the independent line might meanwhile have entered the conference carrying the rebellious shipper along with it.

Conferences frankly acknowledge that stability of rates is one of the principal results justifying their existence. The freedom, enjoyed by shippers under the rebate as opposed to the contract system, to avail themselves of such lower rates as may be put into effect by the conference lines, does not seem a particularly alluring argument. As a matter of fact, it is to be doubted if exporters and importers regard the deferred rebate as anything else than a club wielded by a conference to command their loyalty and virtually to prohibit their freedom of action. This has been emphatically the case with South African importers.

It must not be forgotten that, as a rule, rebates ultimately accrue to the benefit of foreign importers, not the original shippers. The man who buys goods not only pays the freight but dictates the route by which the goods shall be shipped. Knowing the deferred rebates in force, refunded by the lines to the shippers who have prepaid charges and invoiced them to customers, the importers abroad naturally demand from the shippers their pro rata share of such rebates.

#### 4. EXPERIENCE IN ABOLISHING REBATES

In South Africa there has been for a long time a strong popular prejudice against the deferred rebate system. Upon the formation of the Union Government the question was made a political issue. Under pressure of a threat to withdraw the mail contract, the principal line from Great Britain to the Cape yielded and abandoned

the rebate system The other six lines engaged in South African trade shortly afterward decided it would be impolitic to continue the system in the face of the Government's hostility

All, therefore, united in adopting a form of mutual agreement under which the merchants agreed to confine their shipments to the regular lines already engaged in the trade. The shipowners also undertook, so long as they should receive that support, to maintain uniform rates of freight then mutually agreed upon and to provide the same regular services as before. No penalties were provided; both parties were simply put on their honor. Provision was made for withdrawal from the agreement at short notice in the event of outside competition disturbing the stability and equality of freight rates.

The invitation to sign the agreement was extended until August 11, 1913. New rates on a few items were at once put into effect, but on most were deferred until September 1, 1913. Class rates were abolished and increases were limited to a maximum of 5 shillings per ton on rates of 30 shillings and upwards, 3 shillings 9 pence on rates of 25 shillings to 30 shillings, and 2 shillings 6 pence on rates below 25 shillings. It was further provided that in each instance and would be accepted only on the conditions that there be time and space for loading after the goods of the contractors had been cared for.

In view of the general opposition to the rebate system, it will be of especial interest to watch developments under the new South African arrangement. Many merchants condemned it from the start as merely a manouever for political prestige in which the conference got the best



of the Government, yielding on the rebate question but with freight rates heavily increased. Yet between ninety and ninety-five per cent of South African merchants signed the agreement.

Shortly after the new rates went into effect, in September and October, 1913, complaint was made that the mail line was guilty of infractions of the South African Post-Office Act in declining to forward to South Africa certain merchandise shipped by parties not under contract with the company. The line defended itself by referring to the clause above referred to and declaring that there was no room available for the non-contractors' goods. The Government of the Union of South Africa, however, decided that the matter must be put to arbitration. Three members of the legal profession were to be selected, one in London, one in South Africa, and the third by mutual agreement of both parties. There the matter rests, at the time of writing.

Meanwhile, the minority of South African merchants, who had not signed the agreement, led by one of the largest and most pugnacious importers, has been threatening to charter its own steamers and to establish a new and independent line. These merchants have attempted to make arrangements with outside shipowners under a three years' agreement providing for a fortnightly service and guaranteed lower rates of freight.<sup>17</sup> The latter provision is regarded as absurd, since a rate war is almost certain to follow the start of a new and non-conference line. Similar threats have been made before and possibilities of South Africa and Australia combining to establish a line have been discussed. The

<sup>17</sup> *The Times*, London, November 7, 1913

trade and secular press of England point out the fact that while the new agreement was made largely for the sake of ensuring uniformity of treatment and rates for all, yet here is an element in the commerce of South Africa that demands for itself something better than its neighbors. Thus far South Africa, its Government, and its merchants, cannot be said to have emerged with flying colors from their skirmish with the conference lines. It is evident, however, that human nature is much the same, whether in a shipowner's or a merchant's office.

#### 5. COMMERCE NOT MONOPOLIZED BY CONFERENCES

A general impression seems to exist that the shipping business of the United States is dominated if not monopolized by conferences and pools. Sometimes the absurdly broad statement "a foreign shipping trust" is used. Figures adduced in evidence in the anti-trust suit of the United States Government against the Prince Line, the Lamport & Holt Line, and the Hamburg-South American Line, constituting the American Brazilian Steamship Conference, are interesting and instructive in this connection. The conference in question has been bitterly attacked and has borne the brunt of much of the publicity directed against all conferences. It ranks among the strongest of steamship combinations. An outside line, the Lloyd Brasileiro, has for some time been competing with it between New York and Brazilian ports. It is admitted, that this line which is owned and operated by the Brazilian Government has lost \$2,000,000 in six years. Most of the vessels operated are only chartered. There are several other services besides the one between New York and Brazilian ports, including some on the Brazilian coast.

The Lloyd Brasileiro attracts outward cargo from New York by cutting rates under those of the conference lines.<sup>18</sup> The system of deferred rebates operated by the conference makes it practically impossible for this line to secure return cargo from Brazil. Although a national Brazilian enterprise, it secures only a little of Brazil's great export, coffee. It carries this product for only one extremely independent New York coffee importer, who will not under any circumstances patronize conference vessels (usually preferring to charter his own boats). The Lloyd Brasileiro is thus shut out of its natural trade in coffee in spite of quoting a rate as low as 26 or 32 cents a bag against conference rates of 45 to 50 cents.<sup>19</sup> Thus we see how strong a hold the conference has on the Brazilian situation.

Nevertheless, the lines that are thus so firmly bound together in the conference are far from controlling the American-Brazilian trade. The United States Government attorneys, in the anti-trust suit referred to, on October 14, 1913, put in evidence data compiled by an expert in their employ, the 'results of three months' work, analyzing from outward manifests the traffic from New York to all Brazilian ports served by the conference lines. One of the tables submitted contrasted the cargo carried by the Lloyd Brasileiro, the conference lines, and

<sup>18</sup> For example, 14½ cents per cubic foot on 12,000 tons of car material, when the conference lines asked 15½ cents. Testimony of J. J. Slechta, New York agent for the Lloyd Brasileiro, reported in the *New York Journal of Commerce*, October 15, 1913.

<sup>19</sup> Proceedings, page 43.

sundry vessels outside the conference, in cubic feet, as follows:

YEAR	OTHER STEAMERS OUTSIDE		
	LLOYD BRAZILEIRO	CONFERENCE, TRAMPS, ETC	TOTAL ALL STEAMERS
1908	4,847,360	813,960	9,528,822
1909	4,709,580		10,654,676
1910	4,696,400	202,400	13,202,202
1911	6,533,360	510,544	15,588,191
1912	7,134,640	1,984,508	20,139,706

It appeared from the tables that the percentages of the total cargo moved from New York to Brazil during the years 1908-12 were:

Conference lines	55 8 per cent
Lloyd Brazileiro	39 8 per cent
Other steamers	4 4 per cent

In other words, nearly one-half of the shipments of American goods to Brazil is carried in non-conference ships. No figures are available on the percentages of imported goods from Brazil carried by each of these lines.

## 6. TRADE NOT RESTRICTED BY SHIPPING AGREEMENTS

From the elaborate tables compiled by the Government's expert in the suit against the Brazilian conference, the growth of American exports was also demonstrated. Thus, in volume, the cargoes carried by the three conference lines from New York to Brazil more than doubled in five years. This table reads.

YEAR	CUBIC FEET	AMOUNT OF FREIGHT	AVERAGE RATE PER CUBIC FOOT
1908	4,867,502	\$ 707,876	\$ 145
1909	5,855,116	855,779	146
1910	8,303,402	1,239,201	149
1911	8,544,237	1,797,041	21
1912 . .	11,020,558	2,646,269	.24

Statistics of the Department of Commerce show an increase in value of exports from the United States to Brazil for the same years, as follows

1908	\$19,864,238
1909	17,444,759
1910	22,764,183
1911	27,150,672
1912	34,587,050

In view of figures such as these it will hardly be contended that the Brazilian Steamship Conference has seriously handicapped the development of American export trade to that country

In 1908 the United States exported merchandise worth \$1,860,000, five years later, in 1912, \$2,204,000 worth, figures that for 1913 (fiscal year) were increased to \$2,465,000. If it be argued that this magnificent development has been accomplished in spite of an unfavorable influence of agreements between shipping companies, the reply must be that other countries, notably Great Britain and Germany, have also similarly increased their overseas markets. These countries, as well as all other countries the world over, are subjected to precisely the same shipping conditions. There is no secret about this—it is a proved, as well as an acknowledged, fact

There is and can be no such thing as one great trust, embracing or controlling the shipping of the whole world. Nor are the various agreements merely parts of one whole. Each conference group operates in its own particular field, without regard to any interest one of its constituent companies may have in any other field. A line may be a member of a conference operating in the China-Japan trade, but when working a different service, it operates independently or in accord with another conference.

One well-known line is a member of the eastbound conference in the Far Eastern trade, but fights the west-bound conference in the same trade. Some of the lines engaged in conferences are European lines working in several different trades both from Europe and from the United States, others are strictly American companies with no interests whatever except trades from and to, our own ports. The Hamburg-American Line operates the Atlas Service between New York and Jamaica, but it has no service from Europe to Jamaica. The Prince Line (an English concern) operates services from New York to Brazil and from New York to South Africa, but it has no European services to those markets.

The great combination engineered by the late J. P. Morgan, known as the International Mercantile Marine Company, was formed primarily, it is believed, because of losses incurred from competing freight rates. This company purchased (at grossly inflated prices) a number of competing lines, including perhaps one-third of the tonnage engaged in the North Atlantic trade; yet it failed signally to control freight rates or even materially to affect them. One reason, perhaps, may have been the refusal of the Cunard Line to join in the great combination. In any case, instead of being a dominating influence, the great fleet of the International Mercantile Marine Company has virtually been reduced to a single element in the conferences which control the North Atlantic situation.

The varied directions in which shipping interests are engaged furnish additional evidence against the fanciful theory that European shipowners attempt to kill American foreign trade. Several European companies

operate services from our ports purely as money-makers, reaching markets in which those companies have no other interests. If a question arose as to advancing rates to such ports beyond a parity with European rates, thus in all probability restricting cargo offerings, it is a certainty that such owners would work for lower rates on the American goods, because it would be for their interests to do so

## 7. GOVERNMENT INVESTIGATIONS

The United States is not a pioneer in its investigation of shipping combinations. Beginning in 1906, a Royal Commission in England sat for many months taking testimony as to the operations of "Shipping Rings." The majority report was not unfavorable to conferences and pools, in fact, the report distinctly commended them in those respects in which, in our own investigation, the conference people have claimed their justification lies. That report concludes, paragraph 169.

(1) The advantages conferred by shipping conferences are substantially dependent upon the system of deferred rebates, or some system equally effective, as a "tie" upon the shippers and equally uniform in its application. (2) If the rebate system were abolished, shipowners would endeavor to secure the custom of shippers by making contracts with them covering long periods. (3) The contract system would in large general trades lead to the making of preferential contracts with large, at the expense of small, shippers.

A little over three years were spent in this investigation, and in the end the report was a divided one, leaving matters exactly where they were before, so far as any

attempt at regulation was concerned. The majority report, however, confirmed the claims of advocates of the conference system as to these advantages: (a) Regularity and high class of service; (b) stability of rates, (c) maintenance of equal rates from the United Kingdom and the Continent; (d) economy in distribution of cost of service; (e) uniform rates to all shippers, (f) no cargoes to be carried for ship's account (a practice seldom known in the American trade)

The importance attached to having some form of agreement between lines is illustrated in the evidence given before our own House Committee. It showed that the United States Government itself is virtually a member of the Caribbean conference. This Government owns the Panama Steamship Line and has entered into agreements with competing lines from New York to the Isthmus as to classifications of commodities and the maintenance of agreed freight rates.

## 8. GOVERNMENT REGULATION OR CONTROL

The real question as to steamship conferences is not whether they shall be permitted to exist or not, but how, and to what extent, they may be regulated by legislation. Referring to the subject of government regulation, the United States Commissioner of Corporations has said:

The interstate commerce acts have been applied only in a limited degree to carriers by water, and it is uncertain how far the provisions of these acts, as to rates and carriers' liability, are intended to apply to water lines. This is in marked contrast with the close supervision over vessels, and their officers, for the protection of life. In this latter respect, water traffic has long



been far more closely regulated by government control than railroad traffic. The detailed strictness with which construction, operation and maintenance of vessels is watched by the Government, and its complete system of inspection thereof, is in very marked contrast to the almost complete absence of such control over railroads. This difference also has borne with some disproportionate weight on the water traffic. On the other hand, government control of rates has been much more complete over railways than over waterways.<sup>20</sup>

The main object of railroad regulation by the United States Government is to protect the public by controlling combinations of carriers. It is believed, however, that it will be found absolutely impossible to exercise any control whatsoever over ocean freight rates. They are not a national, but an international, question, nor do they concern only two governments. Moreover, rates on bulk commodities—grain and cotton, for example—fluctuate from day to day. This is true not only in the United States, but in Argentina, India, Europe, and all competing countries. The ocean-carrying trade of the world is performed by ships flying many different flags. The Congress of the United States can pass laws protecting the lives of passengers and crew; to determine the responsibility of carriers, in regulation of our ports; and to guard the public health. What it can do to supervise, if not regulate, ocean freight rates and combinations among lines, is a question which our statesmen have not yet been able to solve. No one has yet suggested a law that would apply to regular lines and not to tramps, whose erratic movements place them beyond control.

In the early months of 1913 some more radical members of the Lower House of Congress discussed the pos-

<sup>20</sup> *Transportation by Water in the United States*, report of the Commissioner of Corporations, Vol. I, page 16

sibility of barring from ports of the United States any vessels which it could be proved belonged to companies bound by conference agreements. Inquiring of a practical shipping man, an American connected with an American steamship company, who was on the stand before the House Committee Investigating Shipping Combinations, why such a procedure would not be satisfactory, one such Representative was met with the quick rejoinder: "Then you would ruin your own commerce. If you should debar the foreign ships from American ports for one month you would have the worst financial condition the country has ever seen" <sup>21</sup>

The natural effort of shipbuilders to obtain all the work they can handle tends to a constant over-supply of vessels. The natural desire of shipping companies to take advantage of periods of prosperity and handle, through their own vessels, as much as possible of the freights that are offered also tends toward this result. The increasing severity of competition on the water has only kept pace with the enormous development in all international trade.

There is little wonder that the steamship lines have found it greatly to their advantage to arrange between themselves for the regulation, if not the control, of elements in the shipping business which, if unrestricted, would prove disastrous to many of them. However, steamship owners are human, and the history of conferences demonstrates that agreements exist only to be broken. They have a constantly shifting membership and periodically fall to pieces, to be re-formed or succeeded by new combinations after more or less serious battles.

<sup>21</sup> Proceedings, page 897.

In a paper published in 1902 by the American Academy of Political and Social Science, the following extract appeared:

It is folly to shut our eyes to unmistakable facts or to stand in the way of inevitable events. Doubters may deride, demagogues denounce, and ignorant lawmakers strive to build up barriers, but neither agitation nor protestation nor legislation can stop the growth nor prevent the advance of universal federation.

On October 13, 1914, the United States District Court at New York rendered a decision practically dismissing the government suit against the Trans-Atlantic Pool. The following paragraphs from this decision are notable:

In view of the peculiarities of ocean transportation the method adopted by the defendants is a reasonable one, which so far from restraining trade really fosters and protects it by giving it a stability which ensures more satisfactory public service for all concerned.

Without this method or something like it there would be, in the language of the Committee on Merchant Marine & Fisheries of the House of Representatives in Congress, one or other of two results: "The lines would either engage in rate wars which would mean the elimination of the weak and the survival of the strong, or to avoid a costly struggle they would consolidate through common ownership",—either would mean monopoly as effective and it is believed more so, than can exist by virtue of (this) agreement.

Most serious students of the shipping question—those men who know the situation in a practical way and those who have studied it impartially, with no axe to grind—seem disposed to support the contention of the steamship companies themselves, that their co-operation for the regulation of competition is necessary. How far that co-operation is to be trusted or tolerated without legal re-

strictions of some sort is, of course, quite another question. He who sympathizes most thoroughly with the position of the steamship people will not be the last to agree that possibly an international commission, including England, the United States, Germany, and France, may be able to devise some form of control that will be fair and equitable and possible of enforcement, because international.

### TEST QUESTIONS

1 What are some of the mistaken popular impressions concerning shipping agreements?

2. Why are combinations possible among the regular liners and not among tramps?

3 Would you call a steamship line a public utility? In what respects does it differ from a railroad?

4 Are shipping agreements general in all the principal maritime nations?

5 What are some of the chief combinations among ocean carriers trading to and from ports of the United States?

6 Distinguish between a steamship conference and a pool

7 What are some of the advantages claimed for pools and conferences with reference to (a) regular and frequent sailings, (b) higher class or speed of vessels, (c) equalizing American and European rates, (d) uniform rates of freight, (e) ample facilities and tonnage, and (f) reaching ports of minor importance?

8. What are the objections to conferences and pools with reference to (a) the dictation of freight rates, (b) preferential rates, (c) a railroad influence, (d) competition, (e) fighting ships, and (f) deferred rebates?

9 Explain how rebates ultimately accrue to the benefit of foreign importers and not the American shipper.

10 To what extent is commerce monopolized by conferences?

11 What information has been brought to light by various governmental investigations regarding shipping combinations?

12 To what extent do the interstate commerce acts apply to carriers by water?

13. Why is governmental regulation of ocean shipping more difficult than governmental regulation of railroads?

## CHAPTER VIII

### HANDLING EXPORT AND IMPORT SHIPMENTS

Formalities connected with shipping goods to foreign countries are actually simple and quickly mastered, although at first the details involved may impress one not familiar with this form of commerce as somewhat complicated. Exporters having their headquarters or a competent agency at a seaport out of which ships sail for those parts of the world in which they are particularly interested, find little difficulty in learning and carrying out by themselves the routine involved. The usual practice of other shippers is to employ forwarding agents at convenient ports who relieve them of all detail. For the exporter, however, the way is made easy, and an ordinary clerk of fair intelligence usually learns, after one or two experiences, to carry out satisfactorily those details that are of purely mechanical routine.

On the other hand, complications attending the getting possession of goods imported from foreign countries are numerous and exasperating. They virtually necessitate the employment of a professional custom-house broker for each import arrival. Even some professional forwarding agents employ an outside broker, rather than attempt themselves to attend to import details in our custom houses. Import processes are complicated in all countries and everywhere the specialized broker is a necessary fixture.

Export shipments, however, demand of the manufacturer or merchant and of his export manager or traffic man, a thorough understanding of every principle involved, even if details are entrusted to clerks, brokers, or other agents. Before reviewing the steps taken in the actual process of despatching an export shipment, it will be well to consider some features of the preliminary work.<sup>1</sup>

### 1 PACKING FOR EXPORT SHIPMENT

As in every other aspect of export trading, instructions from foreign customers regarding the shipping and packing of their goods must be followed in every particular. Consignments should not only be routed exactly as customer instructs, but his wishes as to packages must be most painstakingly complied with. He gives these directions from an intimate knowledge of local conditions, important, perhaps vital, to him, however unintelligible or even ridiculous they may seem to the stranger thousands of miles away.

For example, in some countries—and this applies particularly to the less developed countries of Latin America—parcels of merchandise, as they are landed from incoming steamers, must be transported to inland points, perhaps over mountain passes, on the backs of men, horses, mules, donkeys, or llamas. The limit of weight which one of these animals can carry suggests that the exporter give studious consideration to packing goods (when so instructed) in parcels of comparatively small weight and of suitable size for transportation, when one package is hung on each side of the animal's back. At

<sup>1</sup> Various aspects of export business which cannot be discussed here are treated in the author's *Practical Exporting*

some foreign ports there are heavy quay dues levied on each package landed, irrespective of size. Hence, it is advisable to use a few large cases rather than a multitude of small ones. If a foreign importer requests an American concern to pack his goods in small cases, each not to exceed twenty pounds in weight, but to combine ten or fifteen such small cases in one large crate, his reasons for giving such instructions may be based on conditions similar to those just suggested.

Again, there are certain countries where wood, especially American pine or other lumber, is very expensive and difficult to obtain. In such countries it is imperative not only that the goods themselves arrive safely, but that the cases or containers reach destination in good shape for re-use or profitable sale by consignee. A source of an actual and considerable profit to some importers in India and China, for example, are the iron bands which protect the ordinary export case of merchandise; more especially, in the case of European goods, the hoops around bales of cotton fabrics as they are usually shipped are valuable.

In many other countries of the world import duties are "specific"—not "ad valorem," the system with which we have been better acquainted in the United States. In such countries specific duties may be assessed on the gross weight or on the net weight of goods. Packages must always be strong, but should not be unduly thick or heavy in shipping to countries where duties are levied on the gross weight. With such precautions on the part of importers, the customers of American manufacturers may be able to save enough in their import duties, if comparatively light, though strong packing is supplied, to encourage them in running some risks

as to possible damage en route. Problems of the nature of those here suggested should be studied by every exporter who aspires to success in the establishment of a permanent and profitable foreign trade, and (to emphasize the point once more) he must rigidly adhere to the letter of any instructions his foreign customers may give.

Formerly it was thought necessary to pack all export goods subject to damage from dampness or sea water in hermetically sealed (i. e. air tight) tin- or zinc-lined cases. This expensive form of shipping has now been practically abolished; tarred, oiled, or otherwise waterproof paper has been substituted for the metal. The hermetically sealed tin-lined case is, however, still highly desirable in the shipment of any sort of unusually delicate goods (watches, for example), especially when the route taken leads through tropical waters or to excessively damp ports. The extent to which hot, moist air may penetrate is almost past belief; and it must never be forgotten that goods shipped by sea are liable to be splashed if not deluged by sea water in loading and unloading. Moreover, they are frequently exposed to rain on open wharves. Such packing costs a little more than that which is ordinarily supplied in domestic shipping, but its cost, like any other expense involved in export shipping, may be either (preferably) included in quotations of price, or may be specifically and clearly stated as an "extra" in soliciting orders.

Cases for export should be thoroughly banded with iron hoops or reinforced by some form of specially devised corner and end protectors. The necessity for this arises from the rough handling and danger of pilferage to which such shipments are liable. They may be for



days on wharves or in other exposed places, where they are peculiarly subject to the leisurely operations of pilferers. Thieves are not unknown in the crews of some ships as well, to them shoes or other small articles furnish tempting bait. In some instances stolen goods are replaced by stones, so that the weight will register about the same as invoiced. They thus postpone discovery until the packages are actually opened by the buyer at destination. Bands, therefore, should surround the whole case and be arranged so that opening for purpose of robbery will be impossible or as difficult as possible. Since nails may work loose or be easily withdrawn, some export shippers use screws, but this precaution is usually taken only when shipments contain especially valuable or heavy goods.

Every exporter who is anxious to hold and increase his trade ought to give careful thought to having his goods delivered at destination in the most satisfactory condition possible. The packing question is one of the problems which are comparatively easy for him to solve, requiring only a little study. It is, of course, out of the question to include within the limits of this chapter any specific, indeed, any general rules in regard to the packing necessary or desirable for export shipments. No one subject has been a more fruitful text for criticism of American manufacturers than this. The one invariable rule which the author is able to lay down is: Domestic packing is never, in itself, suitable for foreign shipments. Another rule, almost invariable, is: Pack to occupy the smallest space possible, for most ocean freight rates are based on the cubic measurement of the containers.

The reader who wishes to study at length the packing requirements of special commodities or of goods destined for special markets, may obtain some information in the pamphlets on this subject issued by the Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D. C. These are composed in large part of special reports made from time to time by our consuls who are located in the various countries.

A thorough understanding of the method employed in loading and unloading ocean steamers will do much to improve the packing of goods for export shipment. For the benefit of manufacturers and shippers who have never visited a seaport or watched the process of loading and unloading steamships, it may be explained that goods are not wheeled on hand trucks, as from the platform of a railway freight depot to the level floor of a box car. On arrival at seaport export goods are transferred, usually by dray, to the steamer's pier and dumped on its floor. In loading the vessel, a number of packages, cases, barrels, bales, etc., perhaps a ton or more in weight, are heaped together in the middle of a heavy rope net or sling, whose ends are gathered together and fastened to a hook at the end of a dangling rope. The whole is hoisted high into the air by cranes and winches, swung outward over the open hatch of the steamer and lowered with a rush into the ship's hold. Swinging to and fro at the end of a long rope, the heavy load bangs against the sides of the hatchway and may arrive at the bottom with a crash. As the net is loosened, the piled packages tumble about, from a height of several feet, helter-skelter in several different directions. In making up the load for the sling it is by no means certain that the heaviest packages will be placed at the

bottom A fragile case of millinery may be underneath a heavy crate of machinery


Packages of every sort, therefore, should be made of strong material, properly secured and braced wherever necessary, and their contents should be insured against shifting, by bolts, cleats, packing of excelsior, and every device that ingenuity can suggest. The shipper must remember that loading processes, as described, are repeated in unloading, that when transshipment is necessary, both processes are duplicated, and that in many of the world's ports steamers do not lie alongside piers, but discharge cargo in midstream or off shore into lighters In these cases even rougher handling ensues

## 2. ADDRESSING EXPORT PACKAGES

Care must be bestowed on such an apparently insignificant matter as the marking or addressing of packages for export shipment This must always be done either with brush and ink, or by stencil Crayon markings or the affixing of tags and labels will not do The stencil address is, of course, preferable because more easily read Some countries in South America require that packages shall be so marked In the case of the Argentine Republic, the marks must appear on all four sides of the package From the foregoing it will be seen that inquiry should be made as to the regulations that may be in effect in any market to which specific shipments may be destined, as special rules and exceptions may prevail.<sup>2</sup>

<sup>2</sup> Information may always be obtained from the steamship lines relative to the ports they serve, or from consuls in New York (and many other American cities) of the countries concerned, or reference may be had to the *Exporters' Encyclopedia*.

In marking packages for foreign shipment it is not customary to indicate the address in full. It is usual to include only one or more initials, which may appear either by themselves or in combination with a geometrical design, such as a square, triangle, circle, or diamond, and are numbered consecutively to ensure ready identification as to contents when compared with packing list or invoice. For example:

X            Y  
            43 (44, 45, etc.)  
LONDON

This mark would be read, "X, Y, Z in a diamond." The port of destination should always be in large letters and otherwise prominent, as it is (naturally) the most essential part of the mark. Any other particulars, unless specifically instructed by consignee, should be studiously avoided. Simplicity and clearness in every respect are of primary importance. Any old or confusing marks should be carefully erased (advertising designs on cases, if deemed valuable—a debatable question—should not infringe on the address mark)

Reasons for the abbreviated address are several: (1) The consignee might wish to sell the goods in original, intact packages and his name might be an inconvenience in more ways than one; (2) the abbreviated form conceals the name of the consignee from rival shippers, (3) it also contributes to ease and swiftness in copying manifests, consular invoices, and the innumerable papers in connection with shipments.

However, under the laws of certain countries the full name and address of the consignee must be printed on

the packages as well as written in the shipping documents. In any event, the fewer and simpler marks that are used the better. Each case must be numbered and the corresponding number, with the contents of the case, must be shown on invoices and often on other documents as well. Extreme care should, therefore, be taken to insure absolute accuracy in this respect. Mistakes not only cause annoyance, but may result in fines on the importer.

Such inscriptions as "This side up with care," "Top," "Fragile," etc., are quite useless when written in the English language only, except on shipments to Great Britain and the British colonies. When English is not the native language of the country to which the goods are destined, the chances are slim that stevedores or porters of any sort will pay the slightest attention to such instructions, unless in addition to English their own language is employed—and rarely even then. It is, however, frequently desirable to mark cases containing American goods "Made in U. S. A." This is required by some countries and does no harm in any instance.

### 3. WEIGHTS AND MEASUREMENTS

In shipping goods to some countries it is necessary to know and specify exact weights, not only of packages as shipped—whether bundle, case, barrel, or what-not, but also of the goods contained in the package. In the case of Mexico, the weight of the goods themselves must be specified, as well as that of those goods with their immediate wrappings—the tissue paper and excelsior, cardboard boxes, etc., in which certain units, enclosed in a larger package, are sometimes contained.

The following definitions will be useful: Gross weight is the weight of the entire package ready for shipment. Net weight is the weight of the contents of the package without the outside container. Legal weight (used in Mexican shipments) is what has just been defined as net weight and only in Mexico is given this special term. Because of this variation in the usual practice, Mexican net weights are the weights of the naked goods themselves, without any wrapping or packing.

In doing any considerable volume of foreign shipping, especially if that shipping is destined for other than British colonies or Great Britain itself, a set of metric conversion tables is a necessary handbook for the shipper, since some foreign markets require that weights and measures be stated according to that system in sundry documents accompanying shipments.

In addition to making careful and exact record of the weights of merchandise intended for export, it is also desirable, and in some cases necessary, for the shipper to know, at least approximately, the cubic measurement of his packages. The majority of steamship companies quote rates of freight either per weight ton or per measurement ton. It is true, as has been noted, that some steamship lines have in late years adopted the system of making rates per short ton (per 100 pounds) instead of per long ton. Moreover, the general practice of steamship lines of all nationalities, at least in dealing with American freights, seems to be extending more and more to quotations per individual unit (e. g., per barrel, bale, etc.) However, it still remains a common practice in naming freight rates to quote so much "per ton, weight, or measurement, ship's option."

Ordinarily ships call 40 cubic feet the equivalent of one

ton; hence, the rule is that any parcels that weigh 56 pounds<sup>3</sup> or more to the cubic foot will be taken by steamships on the weight basis, while on all packages that weigh less per cubic foot the steamship companies will make a charge per cubic foot or per measurement ton.<sup>4</sup> A shipper with a handy book of cubic measurement computations, and with the actual weights before him, can usually know how his goods will be taken. At a given rate of freight, he can readily compute the cost of transportation. In the case of packages of irregular shapes he may be surprised at the measurement returned by the steamship employes. Outside, extreme dimensions, over all projections in each direction, are always taken by dock clerks. A pyramid is counted as measuring the same as a cube on its largest base. No deductions are made, even when shape permits an economy in stowing in the vessel. The packing of goods for export should, therefore, be carefully studied in order to reduce the dimensions of packages to the smallest number of cubic feet.

Attention may now be given to some of the documents that must be handled in despatching export shipments.

#### 4 BILLS OF LADING

In essence a bill of lading is a document signed by the captain, mate, or agent of a vessel, acknowledging receipt of certain specified and duly identified goods, and undertaking to deliver the same to the consignee named, or more frequently, "to order," at a place mentioned

<sup>3</sup> 2,240 pounds (1 long ton) divided by 40 cubic feet (1 measurement ton) gives 56 pounds, the steamship par between weight and measurement goods

<sup>4</sup> This subject was discussed in Chapter III of this treatise.

therein. Bills of lading vary in form, sometimes according to the trade in which the line issuing the bill of lading is plying, sometimes according to the individual preference or regulations of a particular line. From time to time the acknowledged desirability of an International uniform bill of lading leads to efforts to secure such a form. Up to the present, however, such efforts have been without result.

Meanwhile, all bills of lading issued by steamship lines taking cargo from ports of the United States must be interpreted according to certain provisions of the Harter Act of 1893.

This Act provides, among other things, that it shall not be lawful for any shipowner to insert in any bill of lading any clause whereby he shall be relieved from liability for loss or damage arising from negligence, fault, or failure in proper loading, stowage, custody, care, or proper delivery of merchandise. If a shipowner exercises due diligence to make his vessel in all respects seaworthy and properly manned, equipped, and supplied, neither he nor the charterers shall be held responsible for damage or loss resulting from faults or errors in navigation or in the management of the vessel, nor shall they be held liable for losses arising from dangers of the sea, acts of God, or public enemies, or the inherent defect, quality, or vice of the thing carried, or from insufficiency of package, or seizure under legal process, or for loss resulting from any act or omission of the shipper or owner of the goods, or from saving or attempting to save life or property at sea, or from any deviation in rendering such service.

In other particulars the main clauses of bills of lading are usually similar in their more important bear-



ings, and variations occur chiefly through individual preference of the lines. As will be seen from a study of the accompanying form, they include a large number of clauses covering almost every imaginable contingency, printed in very fine type and seldom so much as read by shippers. In the comparatively rare cases arising under minor clauses the companies are usually liberal in their interpretation. In any event the shipper is bound to accept the form prescribed by the line he wishes to patronize, or gave up shipping altogether. Bills of lading for sailing ships are much simpler in form.

Phrases used in many bills of lading that may not be understood by the novice at shipping include: "Shipped in good order and condition." These words apply only to the external appearance of the packages. The shipowners are really responsible for some damages suffered by goods entrusted to them, in spite of the fashion in which, in the bill of lading, they have apparently protected themselves. Hence, if packages tendered for shipment are weak, broken, or evidently damaged, the ship's officers may refuse to accept them, or may accept them only after they have been satisfactorily strengthened, coopered, or repaired, by or at the expense of the shipper. When any doubt exists as to the suitability of cases or other packing, the shipowners will not sign a "clean" bill of lading, but will note on that document the broken or risky character of the containers. The ship's officers are, of course, ignorant as to the condition of the contents, except from such external evidences as leaking, etc.

"Quality, quantity, gauge, contents, weight, and value unknown" is a phrase inserted still further to protect the shipowners. It indicates that the shipowners as-

sume no responsibility for claims in any of these particulars.

"Jettison" is the act of lightening a vessel when in danger by throwing overboard cargo or portions of the vessel itself.

"Barratry" refers to such illegal acts of master or crew as desertion of the vessel or wilful damage to the vessel.

"General Average" is fully explained in the chapter devoted to Marine Insurance.

Bills of lading should always carefully specify particulars of the goods that are being shipped, for in some countries regulations regarding them are stringent, and inconvenience, delay, fines, and various expenses are incurred when inaccurate descriptions or weights are stated. Even Great Britain is now much stricter than formerly in regard to the particulars required in bills of lading covering import shipments. It is, however, impossible to give any detailed instruction in such matters; inexperienced shippers who attempt to make out their own shipping papers should always inquire fully of the ship's agents as to every detail required.

The name of the consignee is seldom written in the blank reserved for that purpose in bill of lading forms. A shipper usually draws the bill of lading to read that the goods described have been received from him and are to be delivered to his order.<sup>5</sup> This makes the bill of lading a negotiable document and places the disposi-

<sup>5</sup> Bills of lading cannot (at this writing) be made out to order in the case of shipments to Costa Rica, Panama, Santo Domingo, and Venezuela, among other countries. In the case of some other nations (chiefly Latin-American Republics), if bills of lading are drawn to order, then the "notify" clause must be included, giving the name of the consignee

tion and the ownership of the goods covered by it within his own power. He may endorse the bill of lading, either in blank or to whomsoever he chooses, and use it then as security for banking purposes. This, of course, is not done when foreign customers have paid in advance for the goods that are being shipped. It ought never to be done without a distinct and thorough mutual understanding between shipper and consignee in advance of shipment.

When a bill of lading is drawn "to order" it is frequently desirable to note on the face of the document the fact that a certain concern (i. e., the actual or intended consignee) is to be notified by the agents of the ship at port of destination on arrival of the steamer carrying the goods. This is usually done in the phrase, "Notify Blank & Co.," and is intended to protect the consignee against possible charges for storage that might accrue were the mails from the shipper bringing him notification of shipment, route, etc., delayed or lost en route. A similar phrase is sometimes used when goods have to be transshipped en route. In this case the expression is

Transshipping agents at	(point of transshipment)
please notify..	(consignee) at
destination)	(port of
	name of transshipping vessel and date
of sailing	

Attention is sometimes paid by transshipping agents to such requests—sometimes not.

Bills of lading are usually made out in sets of three, four, five, or even more, as may be required by particular lines of vessels or by consular regulations of the country to which the goods are bound. The shipper of the goods usually requires two, if not three, copies—the orig-

inal and duplicate, which are negotiable, and the third copy, non-negotiable, for his own files, while at least one copy is always required by the steamship line for the captain of the vessel. The original and duplicate (sometimes triplicate), which are negotiable instruments, are usually stamped across their faces with those words. When sent direct to consignee, one of the negotiable copies is forwarded by one mail, the other by the next succeeding mail, or in any case by another steamer. The object of this is to insure the consignee possession of the goods without liability to delay and expense through accident or loss in the mails carrying the documents. When used for banking purposes, bankers usually insist upon receiving a full set of the negotiable copies that have been issued, since a single such copy not in their possession would invalidate their security. The final clause in the bill of lading form is. “\* \* \* hath affirmed to . . . . copies”—the word “two” or “three” being inserted, depending on the number of negotiable copies.

It seems unnecessary to explain that the legitimate holder of signed bill of lading has prima facie title to the goods it represents. Nevertheless, it is one of the commonest failings of amateur shippers to disregard this fact. They calmly file away in their own offices all copies of the bills of lading. When this occurs it is only after endless yards of red tape, filing of indemnity bonds, and payment of storage that consignees are able to obtain what should have become theirs immediately upon discharge from the ship. There are very few ports or countries in the world where it is possible to obtain possession of goods without presenting at least one copy of a bill of lading in due form. This is everywhere rec-

ognized as evidence of ownership.<sup>6</sup> The fact cannot, therefore, be emphasized too strongly that bills of lading must pass with the least possible delay into the possession of those who it is intended shall control the goods, be they bankers or actual consignees. Sometimes they must go forward by the same ship that transports the goods.

If drawn "to order," bills of lading must be endorsed by the parties named as shippers. That endorsement may be either in blank, or specifically, to other parties. Without such endorsement the bills of lading are as valueless to the third party as none at all. The goods then remain the property of the shippers, in possession of the carriers, and no one else can get them. Of course, when bills are drawn directly to the order of the consignees (or others) by name, the shipper has nothing to do with any endorsement. The goods belong to those named in the bills of lading until the latter, if they choose, endorse them to others.

When the shipper endorses an "order bill" in blank, the shipment virtually becomes the property of anybody who may chance to get hold of the bill so endorsed, which is sort of a "deliver to bearer" obligation. For this reason bills of lading thus endorsed should be adequately safeguarded. The endorsement in blank is used chiefly, if not exclusively, when the bills are to be handed immediately to responsible bankers. While illegitimate

<sup>6</sup> Venezuela is an exception. At ports in that country steamships are required by local law to turn over their cargoes immediately to the Venezuelan custom house. Thus, losing control of the goods, the ship-owners assume no responsibility, and certain methods are possible by which almost anybody can, with a little ingenuity, secure the goods from the custom-house authorities. Conditions are almost as bad in some other Latin-American countries. See also note of those countries to which order bills of lading are not issued.

holders might be forced to prove propriety of their possession, yet no more risks ought to be taken with such bills of lading than with a check endorsed to bearer. Here is a final caution, which a frequently prevailing but indefensible custom in this country makes necessary. Endorsement of bills of lading, as of other negotiable documents, should never be executed by any one except a member of a firm or officer of a company authorized to sign such papers—never by a mere clerk. Formalty in such matters is strictly required in other countries

*(a) Through Bills of Lading From and To Interior  
Ports*

In the preceding chapter passing reference was made to combined rail-and-water rates on through bills of lading to foreign interior points of destination. A good many of the railroad lines and some of the steamship companies employ regular solicitors seeking the foreign freights of interior shippers. Yet, it may sometimes be found that better rates and facilities can be obtained by going to a little trouble and obtaining quotations on a given shipment from the several different and competing carriers involved.

In many cases it is possible for an interior shipper in the United States to obtain through bill of lading to foreign seaport, just as it is possible for the man located at a port to obtain through bill of lading to interior point abroad—taking his goods not only by steamer across the ocean, but inland from port of steamer's destination to place where buyer wishes delivery made. Whether through bills of lading of either character are the most economical and desirable method of shipping is a ques-

tion that may usually be investigated with profit. It may happen, however, that the through rate will be decidedly advantageous. Reference was made in the last chapter to economies claimed in through transcontinental-trans-Pacific rates. Similar economies are sometimes claimed in shipments billed through to interior points of destination in Europe—yet it is notable that few large European importers request or desire such through bills of lading.

The point the author wishes to emphasize is that in determining the best and cheapest methods through quotations should be studied and checked, even though considerable time and trouble are involved. Carelessness, shirking, indifference as to these matters are far too common. Economical and satisfactory transportation of goods will most assuredly result to a shipper's ultimate advantage. With the increase in competition for foreign trade among American manufacturers and merchants, care and science in shipping will grow to be more and more important factors. No shipper in this country ought voluntarily to quote delivered prices at interior foreign point.

It is possible to bill goods through to Vienna, Austria, for example, by way of Adriatic ports, or via Antwerp, or through North German ports. Yet few, if any, large and experienced importers of American (or, for that matter, English) goods in Vienna or at any similar inland point ever instruct or desire through shipments. The explanation is that importers of any importance who are thus located have learned from experience how to get their goods through cheaply and have their own or their favorite forwarding agents at terminal ports of the steamship lines. Such agents, by paying special at-

tention to the requirements and general interests of their clients, deliver shipments to them as a rule at considerably lower rates than would be secured in other ways.

### *(b) Minimum Bills of Lading*

Steamship lines invariably require the payment of a certain minimum amount of freight in return for the issuance of a bill of lading. Practice varies in this regard. Some lines issue a bill for as little as one ton of cargo, occasionally for even less; other lines require the payment of freight on at least a ton and a half, or two tons, no matter what may be the volume or weight of the actual freight transported. This is called a minimum bill of lading. It imposes a comparatively extravagant freight charge on small shipments of goods not sufficient in weight or volume, at the rate governing, to warrant the freight charge assessed. On this account shippers usually try to combine small shipments, so that the aggregate quantity will make the minimum charge more nearly normal at regular rates. Freight forwarders and express companies perform this service for the small shipper.

## 5. PARCEL RECEIPTS

Many, probably most, steamship lines supplement bills of lading with what are known as parcel receipts. These apply to small packages and were originally designed to facilitate the business of the exporter at one end and the importer at the other, through the quick and cheap transmission and delivery of samples. They have been used especially in connection with the textile trades of Great Britain. When forwarding a number of cases



K123-1M-4 12

**The Royal Mail Steam Packet Company**

22 STATE STREET

**PARCEL RECEIPT**

Freight \$

New York, 191

Received from.

for shipment per S S.

to

Marked:

to be delivered to

at

weight, contents and value unknown.

The Owners of the Steamer are not responsible in case of loss or damage (from whatever cause arising) for more than \$5 00 value, unless the same be declared, and Extra freight paid accordingly

The above goods are received subject to the general conditions and exceptions expressed in the Bills of Lading granted for Goods by this vessel

**SANDERSON & SON, Agents,**

Per

FIG. 22—Parcel Receipt

of piece-goods to a foreign customer the shipper sometimes sends in care of the captain a small package of samples of the goods contained in those cases. This package is sent under a parcel receipt. Immediately on arrival at destination the captain delivers such a parcel to the consignee. With these samples in his possession the consignee is able to sell to his customers the incoming stock while the goods themselves are still undergoing the formalities and delays inseparable from custom-house procedure in any part of the world.

However, the regulations surrounding parcel receipts have become more elastic, and a good many steamship lines, on payment of a small fee, will now take small parcels of almost any sort, providing weights and measurements do not exceed certain specified limits and provided value is merely nominal. Regulations in all these regards vary with each different shipping line. While a parcel receipt does not involve the same responsibility on the part of the steamship company as does a regular bill of lading, yet it is usually regarded as a safe document and one that can sometimes be used even for banking purposes. But the number as well as the sizes of parcels so accepted for transportation is restricted. Ship-owners regard the practice as a favor shown to shippers, and undervaluation to make a parcel acceptable, or other abuse, often results in the withdrawal of the privilege of so shipping.

## 6. CONSULAR INVOICES AND CERTIFICATES OF ORIGIN

Countries requiring consular invoices are largely confined to the American continent. Portugal is the only European nation that demands them. The consular in-

voice is generally regarded as an unnecessary and inexcusable nuisance, yet we of the United States are not in position to criticize, since the United States itself is included among the nations that insist upon this formality in the case of goods shipped from abroad. This formality seldom has any justification beyond the attempt to reduce the expense of a consular system. The fees thus collected by consular officers of some countries often are sufficient to pay consular salary and expenses, hence the custom is likely to continue. In the case of the United States, these fees reduce our national expense to an insignificant figure. The theoretical justification for their existence is that countries having a high import tariff are enabled to check up prices named in invoices. Consular officials, resident in foreign countries, are expected to know in a general way, at least, whether values declared are actual, legitimate prices, or are considerably less, and intended to defraud the country of destination of duties (when *ad valorem*) to which it is properly entitled.

Figure 24<sup>7</sup> shows the present regulations of countries requiring these documents. However, rules, forms, and fees are constantly being changed and shippers are advised always to obtain accurate and full information in regard to requirements from steamship companies or resident consuls of the countries to which their goods are to be consigned.

<sup>7</sup> From the *American Exporter*, adapted from a table accompanying paper read by Wilbur J. Carr, Director of the Consular Service, Department of State, at the International Congress of Chambers of Commerce held in Boston, 1912

Invoice of goods shipped by \_\_\_\_\_ on the \_\_\_\_\_ sailing from \_\_\_\_\_  
*Marché de marchandises expédiées par* \_\_\_\_\_ *est le* \_\_\_\_\_ *voilier* \_\_\_\_\_  
 New York for Haiti \_\_\_\_\_ and consigned to \_\_\_\_\_ of \_\_\_\_\_  
*N. Y.* \_\_\_\_\_ *pour* \_\_\_\_\_ *à* \_\_\_\_\_ *de* \_\_\_\_\_

MARKS AND COMMENTS NAMES.	NUMBERS.	QUANTITY	CONTENTS	KIND OF GOODS.	FOR DRY GOODS.			LUMBER	WEIGHTS.		CUBIC MEASUREMENT	VALUES.
					Poids en Marchandise dédouanée				Poids			
Théorie, pratique, etc.	Recevoir	Dérouler	Dérouler	Recevoir en Marchandise	NO. PIECES Recevoir en Poids	WIDTH IN INCHES. Recevoir en Poids	YARDS. Yards	FEET OF MEASURE Recevoir en Poids	Net	GROSS	Charges	Values

FIG 23—Specimen Consular Invoice  
 (Haitian Form)

Countries	No. of copies for consul	Language in which prepared	Cost of blanks per set	(a) Are separate invoices required for each mark, or (b) does one in- voice cover entire shipment?	Is oath to invoice required?	Remarks
Liberia	3	English	00	(a) No	No	
Argentina	3	English and Spanish	05	(a) No	No	Certificate of origin
Bolivia	4-5	Spanish	75-80	(a) No	No	
Brazil	3	English or Portuguese	?	(a) Yes	No	Required for Shipments over \$48 88
Chile	4	Spanish or English	.25	(a) No	No	
Colombia	5	Spanish	?	(a) Yes	No	
Cuba	4-5	English or Spanish	10	(a) No	No	
Ecuador	7	Spanish	20	(a) Yes	Yes	
France	1	French	02	(a) No	Yes, before notary	For certain goods only
Guatemala	5	Spanish	25	(a) Yes	Yes	
Haiti	6	English or French	06	(a) No	No	
Honduras	4	Spanish	?	(a) Yes	Yes	
Japan	2	English	?	(a) No	Yes, before notary	For shipments of \$50 and over
Mexico	4	Spanish or English	20	(a) No	Yes, before notary	
Nicaragua	6	Spanish	36	(a) Yes	Yes	
Panama	5	Spanish	15	(a) Yes	Yes	
Peru	4	Spanish	25	(a) No	No	For shipments above \$100
Philippines	3	English	?	(a) No	Yes	
Portugal	2	English, Spanish, or Portuguese	05	(a) No	No	
Servia	1	French	00	(a) No	Yes	
Salvador	4	Spanish	25	(a) No	Yes	
Santo Domingo	4	Spanish	10	(a) Yes	Yes	
Spain	2	English or Spanish	05	(a) No	Yes	Certificate of origin for machinery only
Venezuela	4	Spanish	35	(a) No	Yes	
United States	3-4	English	00	(b) Yes	No	

FIG 24—Regulations of Various Countries in Regard to Consular Invoices

All countries given require invoices to be certified at port of departure and that full description of goods be given. In the case of France and Spain a certificate of origin is often desirable

(Countries not mentioned are understood to require no consular invoices)

Among the Latin-American countries that do not require consular invoices—Argentine Republic, Uruguay, and Costa Rica—other formalities are involved which really amount to about the same thing. These usually consist in requiring the endorsement on the manufacturer's original invoice of all of the details that otherwise would be included in a formal consular invoice. The whole must be attested by the consuls in return for fees that are practically the same as those charged for certifying formal consular invoices.

In the case of some other countries that do not require consular invoices other documents are necessary, usually taking the form of what is known as a certificate of origin. Such a document is, however, usually required only as to specific kinds of goods, or when such goods are entitled by treaty or otherwise to a preferential rate of duty on importation into the foreign country, and when it is therefore desirable to prove them to be of American manufacture or production. France and Japan are examples of countries where such a certificate of origin is necessary on this account in shipping certain goods<sup>s</sup>

Some countries that are exacting as to consular endorsements of shipping papers require that bills of lading also be certified, and sometimes shipments of firearms, ammunition, and explosives generally, can only be made by express permission of consuls.

All shipments intended for countries requiring consular invoices must be accompanied by such documents made out with the most painstaking care and in strictly

<sup>s</sup> During the war between Turkey and Italy, and afterwards between Turkey and the Balkan Allies, certificates of origin were demanded for all goods entering Turkey because of the embargo against the goods of Turkey's enemies



legal order, as otherwise heavy penalties in the way of fines, etc., are likely to be imposed on the consignees. In shipping to some countries no corrections or erasures are allowed in the document.

When such invoices must be written in a foreign language, a consular assistant may sometimes be employed—for a fee. Exporters should not attempt the task themselves until they have learned how and appreciate thoroughly the nice distinctions of foreign customs classifications and the exact equivalents in other tongues of English technical and trade names and terms. Foreign customers in placing orders frequently instruct in these particulars and sometimes quote terms in vogue in their markets as representing American trade descriptions. Especially in Latin America, a product, an article, even a machine, may have a Spanish equivalent, used locally, that is quite unknown or means something very different in another Spanish-speaking country.

Certain copies are usually retained by the consuls of the country to which the goods are destined; certain other copies must go to the steamship company when bill of lading is signed; and still other copies are retained by shippers or forwarded to their foreign customers. Sometimes invoices must be signed before the vessel sails. All these details depend upon the regulations of the various countries and should be carefully studied in each individual case, until the routine and formalities involved have been thoroughly mastered.

Another document which export shippers must sometimes become acquainted with is commonly called the Anti-Dumping Certificate. The form best known is the Canadian "Form M." The new form lately required



in shipments to the Union of South Africa is similar to this. The shipper must certify that the invoice for his shipment represents the fair market value of the goods as sold for home consumption.

## 7. PROCEDURE IN DESPATCHING EXPORT SHIPMENTS

The shipper who is located in or near the port of export through which his goods must be despatched usually attends personally to the details of shipping. The following is the program that he must follow out: When the shipment is ready to go forward the shipper asks the steamship line selected, or the several competing lines (if any), for a quotation of freight rates. He specifies the steamer or sailing date required or preferred, destination, number of packages, kinds of goods, weights, measurements, values, etc. In most cases it will be found that rates by all lines are practically identical, because of the combinations or conferences into which steamship companies are now formed. By agreement among themselves the rate of freight has been definitely established, and usually little advantage results from any attempt to modify such conference quotations.

After obtaining a satisfactory freight rate, application for a shipping permit must be made to the steamship line selected to forward the goods. This little document will enumerate the number of packages, the marks they bear, the kind of goods, etc. The shipping permit is in the nature of an instruction to the receiving clerk at the steamship pier to accept and receipt for the goods in question for despatch per the steamship named.

In shipping large quantities of merchandise it will usually be found necessary to engage freight room for the estimated total weight or number of cubic feet some time

SEE INSTRUCTIONS ON OTHER SIDE

Form (I.M.) INVOICE OF GOODS SOLD BY THE EXPORTER PRIOR TO THEIR SHIPMENT TO CANADA.

\_\_\_\_\_ 191

Invoice of \_\_\_\_\_ purchased by \_\_\_\_\_

of \_\_\_\_\_ from \_\_\_\_\_

of \_\_\_\_\_ to be shipped per \_\_\_\_\_

MARKS	NUMBERS OR PACKAGES	QUANTITIES AND DESCRIPTION OF GOODS	Mention Country of Origin	Value market value as sold for Home Consumption		Selling price to the Purchaser in Canada	
				①	②	③	④ Amount

FIG. 26.—Invoice Required to Accompany Shipments to Canada—The Anti-Dumping Certificate

I, the undersigned, do hereby certify as follows

(1) That I am the (\*) \_\_\_\_\_ of the exporter of the goods in the within invoice mentioned or described

(2) That the said Invoice is in all respects correct and true

(3) That the said invoice contains a true and full statement showing the price actually paid or to be paid for the said goods, the actual quantity thereof and all charges thereon

(4) That the said Invoice also exhibits the fair market value of the said goods at the time and place of their direct exportation to Canada and as when sold at the same time and place in like quantity and condition for home consumption, in the principal markets of the country whence exported directly to Canada, without any discount or deduction for cash, or on account of any drawback or bounty, or on account of any royalty actually payable thereon or payable thereon when sold for home consumption, but not payable when exported, or on account of the exportation thereof or for any special consideration whatever;

(5) That no different Invoice of the goods mentioned in said Invoice has been or will be furnished to any one and

(6) That no arrangement or understanding affecting the purchase price of said goods has been or will be made or entered into between the said exporter and purchaser or by anyone on behalf of either of them, either by way of discount, rebate, salary, compensation, or in any manner whatsoever, other than is shown in the said invoice

(A) That each article on this invoice is *bona fide* the produce or manufacture of the Country specified on the invoice as its Country of Origin,

That each manufactured article on the invoice in its present form ready for export to Canada has been finished by a substantial amount of labor in such specified Country of Origin and not less than one fourth the cost of production of each such article has been produced through the industry of the said Country

FIG. 27—Wording of Form M—the Anti-Dumping Certificate on an Invoice to Canada

in advance of the sailing of the steamer by which it is desired to forward them. The shipping permit, however, will not be issued until the steamer in question is actually in port and ready to receive cargo. The permit directs the shipper as to the day or days when the goods must be delivered at the dock. Such directions must be closely followed. If this is not done the shipper's goods may be "shut out," unless arrangements can meanwhile be made with the steamship's agents for an extension of the time of delivery. In this case a new permit or an authorized revision of the old one should be obtained.

After obtaining a shipping permit from the agent of the steamship line, if the shipper can make one delivery of all his goods, he sends them to the dock accompanied by that document. If several deliveries have to be made, the shipping permit is sent ahead (e g., by mail) addressed to the Receiving Clerk, and put on file at the office on the pier to await arrivals of the goods. In such cases, each delivery is accompanied by the shipper's own receipt form, drawn to apply against the shipping permit which is on file. This receipt is signed by the receiving clerk in the usual way, the packages weighed and measured, and particulars of each one recorded and filed with the permit. When the shipment is complete, the receiving clerk on the pier returns to the shipper a dock receipt. In this he enumerates the various packages that have been delivered for shipment, the name of the steamer, destination, marks, numbers, weights, and measurements.

While waiting for the return of the dock receipt, the shipper makes preparations to clear his goods at the custom house. For this purpose he must fill out the

manifest designed by the Government for its permanent records. The accompanying specimen shows the form of a shipper's declaration. Detailed instructions are printed on the back for the guidance of shippers. No goods may be shipped out of the country until such a manifest has been satisfactorily filed. Especial attention is directed to the necessity for careful and accurate description of the goods that are being shipped. The shipper is required to certify to the correctness of the declaration, either in person or through a duly authorized representative whose credentials have been filed at the custom house.

Although affidavit to the declaration is required, it is the custom to entrust this duty to minor clerks or even office boys, since the process is merely mechanical. Regular shippers, having frequent business of this sort at the custom house, furnish each new clerk with the firm's authorization, attestation of his signature, etc. This is filed by the appropriate official and holds good so long as that clerk attends to the clearance of his employer's goods.

Meanwhile a consular invoice, when this is required, must be prepared and certified in accordance with the regulations of the country to which the shipment is destined. Fortunately those countries to which the greater part of American exports are shipped do not require this formality. In the case of shipments to most parts of the world, the shipper is now ready to secure a bill of lading from the steamship company.

On applying to the steamer's main office for his bill of lading the shipper must produce the dock receipt and the manifest just described. He must also have ready for signature the requisite number of copies of the steam-

New York, \_\_\_\_\_ 1961

Received from **PITT & SCOTT, Ltd.,**  
**60 Pearl Street,** in good order, the following packages  
to be shipped per S S . . . . .  
for . . . . .

MARK	NO	OF P'K'G'S	CONTENTS

**FIG 29 — Preliminary Dock Receipt**

This receipt is used by large shippers who have many separate deliveries to make to a S S pier under one shipping permit. Each delivery like this is accepted for, permit being on file at pier, and all finally combined in one final dock receipt.

ship company's bill of lading. Steamship companies do not themselves write out bills of lading, at least for local shippers. Many of them are ready to do this as well as other services for out-of-town shippers in return for a small fee. Before signing the bill of lading the steamship company will probably demand payment of the freight charges in full. This is invariably the case in shipments of perishable goods. In former years many, perhaps most, steamship companies were ready to accept a good deal of their freight without having the charges prepaid. Recently an end has been put to that practice—at least in New York. Today there is probably not one line in ten that is willing to forward goods until freight in full has been prepaid.

All export shipments must be protected by marine insurance, which must be secured by the shippers in each and every instance, except when the foreign customer has given notice that he himself has covered the risk. This general subject is treated at length in Chapter X. Reference is made to it at this point because the certificate of insurance is one of the documents which are to be collected by the shipper and forwarded to consignee or to shipper's banking or other agent at port of destination.

In many instances it is highly desirable and even absolutely necessary to forward the "documents," as the collection of various shipping papers is usually called, by the same ship that carries the goods. When this is not done they should go by a ship sailing at about the same time or which will reach destination as soon as the goods will. This is especially true when goods are shipped by express steamers to Europe; or by the usual vessels plying from ports of the United States to the

West Indies, Central America, and the Caribbean coast of South America. In the last-named trades, mail ships are at the same time the cargo carriers. When goods can be put on board a vessel only a short time before sailing day or hour, very quick work is sometimes necessary to secure the required papers. The bill of lading, consular invoice, etc., have to be prepared to catch the same steamer—prepared so as to be absolutely flawless in order to pass the keen inspection of customs officials, especially in Latin-American countries. In these countries mistakes or omissions are quickly pounced upon because the fine that is imposed almost always goes in whole or in part to the man who discovers the error.

Shippers from interior points should invariably see that their railway bills of lading are endorsed "for export," in order that they may take advantage of the extra free storage time allowed on goods intended for export. Long experience has shown the necessity of impressing upon interior shippers, particularly manufacturers located in small towns, the fact that in New York and other large cities railway companies will not deliver arriving goods except on presentation of railway receipt or bill of lading. When, as unfortunately too often happens, shippers have neglected to forward this indispensable document, much time may be lost in requesting and securing it. In consequence many costly and vexatious delays have been incurred.

It must also be remembered (as has been explained in previous pages) that in shipping via New York and some other seaports, carload lots enjoy certain advantages in transfer from arriving station to outgoing steamer. Moreover, economy may be effected by using combination carload shipments for forwarding goods to several dif-

ferent customers, or to several different foreign ports via as many different steamers. (Consult especially Chapter IV.)

(a) *Agencies at Seaports*

“Out-of-town shippers,” to use familiar New York phraseology, suffer no disadvantage in the cultivation of foreign trade markets through the necessity of having to employ agents at seaports to take care of shipping formalities for them. It is even doubtful if the fees asked by such agents result in a heavier charge than do the time, salary, and expenses of a New York shipper’s own employes. The agents may be either professional foreign freight forwarders (some of whom call themselves foreign express companies), or they may be the steamship companies themselves.

Foreign freight forwarders have long occupied an important position in the shipping trade at all United States seaports, as well as those of foreign countries. To the small or occasional shipper their services have proved not only an immense convenience, but, frequently, an absolute necessity. Of late years, however, steamship lines themselves have adopted most of the functions of the forwarder and thus give the interior shipper a choice of agencies. Formerly no steamship line would attempt to handle any of the details of shipping, whether in large or small lots, even for its most desirable customers.

While they have not yet usurped the position of the forwarding agents, still at least two-thirds of the lines plying from New York and from other principal ports of the United States—at least lines that seek or accept general cargo—have reversed their former practice and



are now ready to deal directly with the shipper. These lines accept shipments, of any size, consigned to their care and attend to all of the necessary formalities connected with despatching to foreign destination. Sometimes (according to their advertisements) these services are rendered without any charge, in no case do they quote a charge greater than forwarding agents have been accustomed to make for similar services. In either case, however, work and time have to be paid for and neither line nor forwarding agent is a charitable institution.

In the case of very small shipments it is doubtful if anything is saved by disregarding the forwarding agent and doing business directly with the steamship people. In the case of shipments of considerable weight or volume, however, the new practice of the steamship companies may result in economies. Here, as elsewhere, investigation will usually discover the cheapest means of handling a specific shipment.

#### *(b) Despatching Foreign Shipments in Bond*

Shippers of goods which if sold in the United States would be subject to an internal revenue tax—cigarettes, lager beer, and whiskey, for example—avoid payment of this tax by taking advantage of the services of bonded carriers. They may forward unstamped goods to New York, and deliver aboard steamship in bond under custom-house inspection and certification. When the goods have reached destination they receive cancellation of the bond. By avoiding payment of the revenue tax in this country, producers are able to quote prices in foreign countries which are much lower than they can quote to home customers.

Goods imported from other parts of the world into the United States are frequently carried in New York bonded warehouses, without payment of duties, until sold for export—to the West Indies or Central America, for instance. Our relative location and favorable shipping connections enable us to carry on a considerable business with these markets in merchandise of foreign origin. When imported goods are taken from the warehouse to be shipped out of the United States, they are transferred in bond to the steamer (there are many custom-house bonded truckmen) and checked by the inspector on the pier who certifies as to their being placed on board.

The captain or purser of the vessel is held responsible for carrying out the provisions of a document called a landing certificate, which is made out and entrusted to the captain's care, to accompany the goods. The landing certificate requires the oath of the foreign consignee of the goods, taken before an American consul, that the goods described have actually been delivered to him. If no American consul happens to be located at the port of destination, then the landing certificate must be verified by an American merchant residing there. If there are no Americans available, official or otherwise, then certification may be made by two "respectable foreign merchants." This certificate of landing is accepted as final proof that the shipment has passed definitely out of the control of the United States Government, and bonds are cancelled.

## 8 EXPORTS WITH BENEFIT OF DRAWBACK

There is another feature connected with foreign shipping of American goods which has not heretofore re-

ceived one-tenth part of the consideration it deserves. Our Government offers manufacturers who use imported materials on which import duties have to be paid when brought into the United States, a "drawback" of 99 per cent of the duty that has been paid on such imported materials. For example, a manufacturer of men's ready-made clothing who uses English or German woollens may obtain a refund of almost all of the duty that has been paid on such portions of these goods as have been consumed in the exported articles. In order to secure this he must submit satisfactory proof to the Government that such imported fabrics have been used in the manufacture of clothing which has been exported. In fact, the imported goods thus used in the American factory need not have been imported by the manufacturer himself. It is necessary only to satisfy the Government that imported goods on which the duty has been paid have been used for export shipments and in the quantities stated. The clothing manufacturer is thus put in a position to quote much more attractive figures to his foreign customer than would otherwise be possible. He is indeed virtually placed on a par, as far as the cost of his materials is concerned, with competing clothing manufacturers in England or Germany.

It is true that the actual cash obtained will not amount to the full 99 per cent of the duty paid. Certain fees must be deducted for the services of the brokers who attend to the necessary formalities involved in obtaining the drawback. These charges, however, are usually moderate and may to some extent be controlled by negotiations with several competing brokers.

The first step that must be taken by a manufacturer who desires to obtain this drawback is to address a

letter to the Secretary of the Treasury, at Washington, outlining in general terms the facts in his case. In due course an official will be delegated to make an investigation and report. If satisfied that the manufacturer is acting in good faith and is actually using the goods in such quantities as he claims, the report of the official will almost certainly be in favor of granting the refund. After this has been done whenever export shipments are made, it is necessary only to fill out documents similar to the models accompanying this chapter and place them into the hands of a New York broker who makes a specialty of obtaining drawback allowances. In due course of time remittance will follow from Washington. Practically all of the red tape involved in the transaction is taken care of by experienced brokers.

Although the task of obtaining drawback allowances is by no means so formidable as might at first be fancied, it is a rather curious fact that comparatively few American manufacturers have taken advantage of the provisions of the law in this respect. The claims upon the Government have been so few that the law might almost be considered a failure. This does not seem to have been the fault of the law or of the procedure in such cases, but seems rather to be due to general ignorance on the part of the public or dread of the required formalities. Claims for drawback have, however, been allowed on hundreds of kinds of imported dutiable goods and materials.

When the exporting manufacturer is not himself the importer he must arrange with the actual importer (probably the houses from whom he purchased the supplies) to lend assistance in satisfactorily identifying the duty-paid imports. The date on which and steamer by

which the goods were imported must be stated in order that the authorities may investigate the honesty of the claim and the rate of duty actually paid. This appears to be the only complication in the process that may cause embarrassment. The quantity of imported material used in an exported article, once determined, usually serves as a standard for long afterward, although subject, of course, to periodic and unannounced inspection. Some of the papers used in connection with the collection of drawbacks are shown herewith.

### 9. HOW IMPORTS ARE HANDLED

Any man of quick intelligence can readily master the simple routine connected with export shipping, when guided by a few hints and explanations. On the contrary, the processes of entry, appraisal, warehousing, etc., involved in getting possession of imported goods, are so intricate that it is impossible to describe them in full. The business is practically confined to specialists who day by day, even hour by hour, keep in close and intimate touch with officials, with the changing procedure and rulings, and with the peculiar life of the custom house.

By way of illustration, follow the steps that must be taken in the apparently simple matter of making payment of duties after what is called "informal entry." This is "informal" only because it is subject to later review and possible revision after it has been duly considered by a dozen or two clerks and officials.

The uninitiated might fancy that after the importer had submitted his invoice and his goods had been inspected, he would receive a statement of the duty to be paid; and in return he would send his check for the

**Notice of Intent to EXPORT DOMESTIC MANUFACTURES WITH BENEFIT OF DRAWBACK.** Intent No. \_\_\_\_\_

By \_\_\_\_\_ to be laden on the \_\_\_\_\_

(for transportation to) \_\_\_\_\_ and exportation (thence) to \_\_\_\_\_ New York 191

MARKS	No.	DESCRIPTION OF MERCHANDISE	WHERE DEPOSITED	Imported Materials or parts on which drawback is claimed
Manufactured by _____			Shipped by _____	

The merchandise herein described is to be laden on the \_\_\_\_\_ (for transportation to) \_\_\_\_\_  
 (and) exportation (thence) to \_\_\_\_\_ and not to be reloaded in, nor returned to, the United States; and  
 according to the best of my knowledge and belief, such merchandise has not been in use and is entitled, on exportation, to a drawback of duties  
 paid on the imported materials used in its manufacture.

\_\_\_\_\_  
*Exporters or Agents.*

FIG. 31.—Form Employed in Exporting Goods Originally Imported from  
 Abroad on Which a Drawback of Duty Is Desired

## INFORMAL ENTRY AND PERMIT ON APPRAISEMENT.

TO THE STOREKEEPER:

\_\_\_\_\_ having paid duty as per statement  
on appraisement No. \_\_\_\_\_, on merchandise contained in the following packages,  
imported in the \_\_\_\_\_ Master,  
from \_\_\_\_\_, permission is hereby given to deliver the same, viz:

MARKS	NUMBERS	DESCRIPTION OF PACKAGES AND CONTENTS.	BY WHOM EXAMINED.

Custom-House, New York, \_\_\_\_\_, 191

Deputy Naval Officer

Deputy Collector

## ENTRY OF GOODS AND EFFECTS INFORMALLY APPRAISED.

Arrived per \_\_\_\_\_, from \_\_\_\_\_ on \_\_\_\_\_, 191

MARKS	NUMBERS.	DESCRIPTION OF PACKAGES AND CONTENTS.	APPRAISED VALUE.

Entered by \_\_\_\_\_

Port of New York.

191

NAVAL OFFICE ENTRY.  
To be detached and retained by the Officer of the  
Naval Office.

FIG 32—The First, or Informal, Entry

A similar form is used for the delivery of goods which are exempt from duty

amount. However, it is not so simple as this. The following are the custom-house instructions as to this one step in the process of importing goods: After what is called the Naval Office Entry is filled out, that paper must (1) be presented to entry clerk at free-permit desk for statement of duty; when ready for payment the entry will be found at the desk of the transit clerk; (2) it must then be taken to the store bookkeeper for estimate of storage; (3) thence, it goes to the pay-duty cashier's office; (4) next, to the deputy collector for his signature; (5) now, to the naval office cashier for his record; (6) finally, to the deputy naval officer for his signature. These steps are not automatic—a messenger familiar with the custom house must personally take the document from office to office. Any amount of time may be wasted and all sorts of questions, even complications, may arise anywhere along the line.

Incidentally it may be observed that there are several hundred different blank forms involved in all the complex operations of importing the infinity of goods required by our civilization. Some of those forms are supplied free of charge by the Government; others are sold by privileged individuals; some are obtainable in one office, others in another; some are printed privately by importers; all must be filled out by the broker without assistance or suggestion from the officials.

The number and variety of forms used in handling import traffic make it impossible to reproduce them here, but those already shown and the Importers' Oath on Entry and Payment of Duties, shown on page 245, Form of Declaration, shown on page 248, and Oath on Entry of Domestic Merchandise Returned, shown on page 252, will serve to illustrate the complexities to be met with in this kind of work.



Know all men by these presents, that we,

and the United States of America in the sum of  
payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally,

by these presents

Witness our hands and seals this

Whereas the above-bounden principal hath this day entered at the Port of New York certain goods, wares, and merchandise, imported in the

steamship

19

numbered

of all packages described in said entry and invoice which shall not be designated for exemption under section 2881 and 2889 of the Revised Statutes,

June 30, 1906; or for inspection and appraisement under sections 2881 and 2889 of the Revised Statutes, so that if the above-bounden principal shall request the delivery to him

Now, therefore, the condition of this obligation is such that if the above-bounden principal shall request the delivery to him

of the Collector, when demanded pursuant to said section 11 of the Act of June 30, 1906, or to the order of the Collector, if he shall require the

same under section 2889 R. S. within ten days after the packages or quantities sent to the public stores or designated for appraisement shall have

been appraised and reported to the Collector, and also if in the meantime none of the said packages to be delivered under section 2889 R. S. shall

have been opened without the consent of the Collector or Surveyor given in writing, and in the presence of one of the inspectors of customs, then

this obligation to be void, otherwise, to remain in full force and virtue.

Signed, sealed, and delivered in the presence of—

Witness.

Witness.)

as principal,  
as surety, are held and firmly bound unto  
dollars; for the

and assigns, jointly and severally.

19

day of

and merchandise, imported in the

and trespassed in consumption entry dated

and whereas said principal has requested the delivery to him

under section 11 of the Food and Drugs Act of

and in the invoice accompanying the said packages shall not be designated for exemption under section 2881 and 2889 of the Revised Statutes,

principal shall redeliver the said packages to the order

of the Collector, if he shall require the

to the order of the Collector, if he shall require the

the public stores or designated for appraisement shall have

the said packages to be delivered under section 2889 R. S. shall

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in the presence of one of the inspectors of customs, then

Fig 33—Importer's Oath on Entry and Payment of Duties

One form in quite common use is of practical interest to importers located at inland points, such as Chicago. In cases where the duty is not paid at the point of entry, but is to be paid at some interior point, the carrier's manifest shown on page 254 is used. In handling such traffic the carriers assume the responsibility of seeing that the shipments are not tampered with until the customs officer at the interior point has advised that all the requirements of the Government have been complied with.

It may be doubted if more numerous, more complex, more exasperating, and more annoying details surround any other business. If there is one branch of the many-sided work of the Government that cries for the services of an efficiency engineer, that branch is the custom house. There, modern business systems seem neglected, if not unknown; there, forms a hundred years old are still in use and routine involves the maximum, not the minimum, number of motions.

The importer receives from the foreign shipper of the goods a bill of lading, a supplier's invoice, and a consular invoice signed by an American consul. These papers accompanied by an importer's declaration and oath, must go to the custom house. This oath is in one form if goods have been bought; in another, if sent on consignment. An entry blank has also to be filled out with extreme care (and there are a number of different kinds), for it binds the importer; mistakes, especially in prices, involve trouble and penalties. Invoiced prices must sometimes be increased for custom-house purposes. The Government will not permit payment of duty on job lot or special discount values. The law provides that duty shall be assessed on the value of similar merchant

dise in usual wholesale quantities at the date of shipment of the goods. If foreign prices have advanced since the goods were contracted for, perhaps many months earlier, the importer must enter them at prevailing market rates. If he does not, the appraiser will probably do it for him and he may pay dearly for assuming that the Government is interested only in what the goods actually cost him.

It is not necessary to withdraw imported goods immediately—which in this connection means as soon as possible. A warehouse entry may be made without payment of duties. The goods may be stored in bonded warehouse for as long as three years before duties have to be paid, or goods shipped out of the country. A duty-paid entry may be made for some cases in a shipment, and the rest sent to warehouse; or, after warehousing all, the cases may be withdrawn, one by one, as wanted. In each instance the duties paid are at the rates in effect at the time of payment. Various forms are provided to control these and other processes in the same connection.

The importer presents his invoice, bill of lading, declaration, and entry to the entry clerk or deputy collector of the port, with a certified check for the amount of duty as he has estimated it.<sup>9</sup> The duty entry clerk may, however, consider that estimated rates of duty are too low and demand an additional deposit. In any case these rates are only tentative and subject to revision by the appraiser after examination of the goods. Any excess paid is refunded after final liquidation of the entry, usually about three months later.

<sup>9</sup> Until 1910 all duties had to be paid in gold or silver coin. Now, certified checks are accepted.

TREASURY DEPARTMENT.  
 Customs Cas. No. 8488.  
 Act 300, U. S. 1908.  
 Bl. 100,000—U. S. C., May 10-12.

# DECLARATION OF OWNER IN CASES WHERE MERCHANDISE HAS BEEN ACTUALLY PURCHASED.

I, \_\_\_\_\_, do solemnly and truly declare that I am the owner by purchase of the merchandise described in the annexed entry and invoice, that the entry now delivered by me to the collector of

\_\_\_\_\_ contains a just and true account of all the goods, wares, and merchandise imported by or consigned to me, in the \_\_\_\_\_, whereof

\_\_\_\_\_ is master, from \_\_\_\_\_ that the invoice and entry, which I now produce, contain a just and faithful account of the actual cost of the said goods, wares, and merchandise, and include and specify the value of all cartons, cases, crates, boxes, sacks, casks, barrels, hogsheds, bottles, jars, demijohns, carboys, and other containers or coverings, whether holding liquids or solids, which are not otherwise specially subject to duty under any paragraph of the tariff Act, and all other costs, charges and expenses incident to placing said goods, wares and merchandise in condition, packed ready for shipment to the United States, and no other discount, drawback or bounty, but such as has been actually allowed on the same, that I do not know nor believe in the existence of any invoice or bill of lading other than those now produced by me, and that they are in the state in which I actually received them. And I further solemnly and truly declare that I have not in the said entry or invoice concealed or suppressed anything whereby the United States may be defrauded of any part of the duty lawfully due on the said goods, wares, and merchandise, that to the best of my knowledge and belief the said invoice and the declaration thereon are in all respects true, and were made by the person by whom the same purport to have been made, and that if at any time hereafter I discover any error in the said invoice or in the account now produced of the said goods, wares, and merchandise, or receive any other invoice of the same, I will immediately make the same known to the collector of this district.

Port of \_\_\_\_\_  
 \_\_\_\_\_, 19\_\_\_\_

Personally appeared before me, at the place and time above written, \_\_\_\_\_  
 known to me to be the identical person named, and subscribed and made declaration to the foregoing

**AG-Word.**—This declaration may be made before a notary public duly designated by the Secretary of the Treasury or before the Collector or his deputy. If before a notary, the words "witness my hand and official seal the date above written" should be added to the jurat. 3-2136

The entry clerk also designates certain cases from among those included in the shipment to be sent to the appraiser's stores for examination. The law requires that at least ten per cent of the goods shall be inspected and valued. He uses his own discretion in picking out those numbers that are to be verified (e g., out of five cases, numbers 1 and 4), with the intention of circumventing dishonest importers, who cannot foresee which cases will be chosen for examination. In addition, the naval officer, who receives the papers from the entry clerk, may increase the list of cases to be sent to the appraiser. These naval officers, stationed at only a few of the larger ports, audit and verify the work of the collectors at their respective ports. At the smaller ports, the auditor for the Treasury Department, at Washington, fulfills the same duties.

A portion of all goods imported is sent, as just noted, to the appraiser's warehouse for examination. The importer, after payment of duty, must now execute a bond with sureties, for a sum twice the value of the goods and conditioned upon an agreement to return the packages unopened to the collector upon his request; he must agree also that the goods will not be opened without the collector's consent until ten days after the appraiser has completed his work and made his report to the collector. Naturally this antique provision is a dead letter and its retention in the form of bond required is the subject of repeated and severe criticism. After the bond has been supplied in satisfactory shape, a permit is issued for the delivery of all the cases that have not been sent to the appraiser's stores, and with it in hand a truckman may obtain them from the steamship pier.

Meanwhile the sample cases that have been ordered to

the appraiser's warehouse—the Public Stores—are taken in charge by a large force of men headed by the appraiser, assistant appraisers, examiners, and assistant examiners. The examiners act as the actual appraisers. They count, weigh, analyze, and value the samples of merchandise, check up the invoice for the case in question and note on it, for the benefit of the collector, the tariff classification and rate. Their reports are signed by the assistant appraiser and the appraiser, and are returned to the collector.<sup>10</sup> If value and rate of duty at which the importer originally entered his invoice are pronounced correct, a delivery permit is issued, on presentation of which the importer is given possession of his goods.

But trouble follows if the examiner's ideas as to the value or rate of duty properly payable differ from the importer's. Through long experience the examiners usually become experts as to valuations as well as tariff classifications. Their expertness comes also from study of market reports, inquiries of competitors, and from reports of the trained force of investigators maintained by the Treasury Department, at home and abroad, to ascertain selling prices and costs of manufacture. These investigators are aided by officials of the consular service who are supposed to know if the prices on the invoices presented to them for certification before shipment to the United States are fair and honest. If they have reason to believe otherwise, it is their duty to make confidential reports either as to the general undervaluations or as to suspected specific instances.

<sup>10</sup> The routine described is that followed in New York, where over 1,000 invoices are said to be examined daily.

If the examiners and appraisers decide that the importer's entry value was below the ruling price for the same or similar goods on the date of exportation from abroad, a note of the difference is made on the invoice, and is approved by the assistant appraiser and the appraiser. It is next sent to the seventh division (the liquidating division) in the custom house, where the required additional duty is determined.

The tariff act provides that one per cent additional duty shall be charged for each one per cent increase in valuation over that of the invoice. This is a heavy penalty to pay for an attempt to cheat the Government, or for an honest error in estimating the usual price for similar goods. Thus, if the tariff is 25 per cent the duty on \$100 is \$25; but if the appraiser says that the importer's valuation of \$100 ought to be \$120, the duty would be 25 per cent plus 20 per cent, or 45 per cent on \$120, the importer paying \$54 duty instead of the \$30 only which he would have paid had he himself originally fixed the valuation at the higher figure.

If the advance in value made by the appraiser exceeds 75 per cent of the invoice price, fraud is assumed, the papers are sent to the law division and thence to the district attorney, the goods seized, confiscated, sold at auction, and their proceeds paid into the United States Treasury.

Opportunities are afforded dissatisfied importers to obtain relief from what they may claim or believe to be unjust appraisals as to values or rates, unfair fees or charges, duties paid on excessive quantities or weights, on shortages, etc. Within ten days the collector may be asked to have a reappraisement made by a general appraiser. The collector presents the matter to the nine

TREASURY DEPARTMENT  
Customs Form No. 331a  
Rev. 170, C. S. 1909

OATH ON ENTRY OF DOMESTIC MERCHANDISE RETURNED.

United States Customs Service,  
PORT OF NEW YORK,

\_\_\_\_\_, 19

I, \_\_\_\_\_, do solemnly, sincerely, and truly swear (or affirm)  
that the several articles of Merchandise mentioned in the entry hereto annexed are, to the best of my  
knowledge and belief, truly and bona fide of the \* \_\_\_\_\_ of the United States;  
that they were truly exported and imported as therein expressed, that they are returned without having  
been advanced in value or improved in condition by any process of manufacture or other means, and that  
no drawback, bounty, or allowance has been paid or admitted thereon, or on any part thereof.

Sworn to this \_\_\_\_\_ day of \_\_\_\_\_, 19

\_\_\_\_\_, Collector

, s-<sup>1</sup>

\*Insert "growth," "production," or "manufacture" according to the facts.

FIG 35—Oath to Be Taken in Order to Secure Free Entry of Re-  
turned Goods of American Origin



officials constituting the board of United States general appraisers, one of whom is assigned to the case. He gives both Government and importer a hearing, having power to compel the attendance of witnesses and to take testimony. After the general appraiser renders his decision, either the collector or the importer may appeal for another reappraisement by a board of three other general appraisers who are assigned by the full board of nine. These three general appraisers hold other hearings which are almost identical in form and formality with the proceedings of a court of law. Their decision is final as to values, but an appeal as to the rate of duty may still be taken to the United States Court of Customs Appeals. This court consists of five judges, experts in customs law. Its decisions are final and binding on Government and on importer.

After all disputes have been settled, the importer's invoice is taken in hand by the clerks of the seventh division and the amount of duty carefully computed in accordance with the final decision. Previous calculations have merely been tentative and subject to correction, but now the importer is notified of the amount due to him or from him, and the transaction is definitely closed.

The outline thus rapidly and roughly sketched of some of the intricacies of import procedure may suffice to give a faint idea of the activities of a custom-house broker. There are scores of other complications. There are different documents to be filed when imports are to be shipped in bond to other than import points in the United States, when goods are to be shipped to Canada, or when they are to be exported elsewhere out of the country. Returned goods of American manufacturers require



**CARRIER'S MANIFEST**  
or  
**MERCHANDISE IMPORTED**  
FROM NEW YORK  
AND

Port of NEW YORK

*Laden on* \_\_\_\_\_

FOR TRANSPORTATION TO NEW

*Port of* \_\_\_\_\_

*By way of* \_\_\_\_\_

191 \_\_\_\_\_

*Signature of certificate of lading.*

From New York

*Merchandise shipped in manifest form.*

I certify that the within manifest is correct; that the packages within described have been laden upon the car or other conveyance therein specified, and that I have fastened the car or other conveyance in which such merchandise is laden with customs seals or customs locks Nos. \_\_\_\_\_

*Signature of Customs*

*Merchandise to have shown on bond when received and sealed.*

I certify that the within manifest is correct and that the packages within described have been properly coded and sealed and have been laden in the car or other conveyance therein specified.

*Signature of Customs*

From New

191 \_\_\_\_\_

*This form is to be used only when transportation on roads is involved.*

I certify that I have supervised the transfer of the goods described in the within manifest from \_\_\_\_\_ to \_\_\_\_\_ that I have compared said goods with the description thereof contained in said manifest, and that I have fastened said car or conveyance with customs seals or customs locks Nos. \_\_\_\_\_

*Signature of Customs*

*a* Describe packages or give number of set.

*b* Here show the route and conveyance as in the entry

*\*Insert name of railroad or other transportation company. If vessel, insert the name thereof.*  
*† Show the route and conveyance as in the entry*

(Back)

FIG 37—Back of Carrier's Manifest

statements as to date of exportation, name of steamer by which exported, marks of cases, etc. Importations of live animals and of some foods and food products require special treatment and sometimes certificates as to healthfulness. Imported trees and plants may have to be sent to special quarantine stations for examination and for certain periods of observation.

No one handbook, to say nothing of a single chapter, will ever suffice to give more than a glimpse of the highly technical ramifications of the process of clearing imported goods through the United States custom-house. The smaller the port of entry and the less busy the custom-house, the easier, quicker, and freer from red tape the necessary procedure

During the continuance of the war in Europe many and varied documents are required in shipping to the neutral as well as the belligerent countries in Europe. In some instances European buyers of goods must supply licenses or permits issued by their own governments or officially designated bodies. In others, Letters of Assurance have to be secured from the Trade Department of the British Embassy at Washington. These regulations are frequently changed, and shippers should inquire as to necessary formalities of the leading consular representatives in the United States of the countries to which it is proposed to make shipment.

### TEST QUESTIONS

1. Why is it important to follow explicitly the packing directions of the foreign customer?
2. How may duties be saved in many cases by careful attention to packing? How freight charges?
3. In what ways are goods packed to protect them against damages from dampness or sea water?
4. What are some of the most important points to consider

in addressing export packages?

5 What are the advantages of the abbreviated address?

6 What is meant by the terms gross weight, net weight, and legal weight, as used in export shipping?

7 What are the rules for measuring packages of irregular shape?

8 What is a bill of lading? By whom issued?

9 What is meant by jettison? Barratry? General average?

10 Explain the negotiability of bills of lading

11 Why must a bill of lading drawn to order be endorsed by the shipper before a third party can claim goods upon the bill of lading?

12 Why should a bill of lading be sent to the consignee or his agent immediately after it is drawn?

13 Explain the use of through bills of lading

14. What is a minimum bill of lading?

15 What are parcel receipts?

16 What is the distinction between a consular invoice and a certificate of origin? In what connection is each used?

17 Explain the procedure that is necessary in despatching export shipments

18 Explain what is meant by despatching foreign shipments in bond

19 Explain what is meant by a drawback How can an American exporter avail himself of a drawback?

20 As an importer, how would you secure possession of imported goods at the custom-house?

## CHAPTER IX

### HANDLING SMALL EXPORT SHIPMENTS

#### 1. THE POST AS AN AID TO FOREIGN BUSINESS

For the shipment to foreign countries of goods in limited quantities or small packages, merchants and manufacturers have at their disposal the parcel post services and the express companies. The former are organized by the United States Government by agreement with certain other Governments and the latter are private enterprises and may more properly be termed foreign freight forwarders. Both help materially in assisting international commerce and often relieve what otherwise would be an intolerable condition.

The foreign parcel post service of the United States is not perfected in some respects as in most European countries. Our competitors in these countries enjoy better facilities as to rates of postage, size of parcels, etc.; some of them even include C. O. D. privileges. Parcel post conventions, as now in force, do not include many important markets with which the United States ought to establish a cheap and easy means of exchanging goods. For these reasons the extension of this service is of the utmost importance.

#### 2. PARCEL POST REGULATIONS AND RATES

The rules governing our foreign parcel post system are to be found in the Official Postal Guide, in most almanacs, and in sundry handbooks; they may be studied

in detail, with the latest modifications, at any local post office. In general, the rules provide that parcels may be forwarded by United States mails and international services to countries with which parcel post conventions have been negotiated, provided that such parcels do not weigh over 11 pounds or measure over 6 feet in greatest length and girth combined. To a few countries the value of packages that may be forwarded by parcel post is limited to stated amounts, and in exceptional cases it is not possible to register parcels. The rate of postage is 12 cents per pound or fraction of a pound.

Parcels must be taken to the post office. They must not contain writing in the nature of correspondence and must not be sealed, at least until they have been examined by the officer in charge. Special labels are provided for such parcels, stating contents, values, etc. It goes without saying that parcels of merchandise, by mail or otherwise, must pass the scrutiny of the custom house in the country of destination. It is said that in some countries this examination is perfunctory in the case of the parcel post.

The regulations forbid the enclosure, in a parcel intended for despatch by parcel post, of separately wrapped and addressed packages to be remailed by addressee. But in view of the limited extent of services from this country, as compared with the world-wide facilities available from some European countries, it is scarcely to be wondered at if business men occasionally post a parcel to friends abroad (Great Britain is a free trade country with few custom-house complications), observing the letter of the law by refraining from addressing the package enclosed, but instructing their friends under separate cover as to reforwarding. Even at the expense necessitated of double parcel postage, this

is said to be found the only way of avoiding absurdly high charges in getting a small parcel through to some countries of the world.

Apparently a good many Americans are not familiar with our sample post regulations, which reach all countries in the Postal Union and sometimes suffice for small and light samples, etc. The limit of weight for packages by sample post is 12 ounces; the rate is 2 cents for the first 4 ounces and 1 cent for each additional two ounces or fraction thereof. As this rate is intended only for samples which have no commercial value, objection is sometimes raised if an attempt is made to use it on packages containing intrinsically valuable goods. However, a pair of very light slippers, by way of example, might perhaps be thus shipped to any part of the world in two sample packages, at a total cost of, say, 12 cents, one package being posted at one time, the other somewhat later. This subterfuge is not worth while on the score of expense, when parcel post is available.

In the absence of the latter facility, some samples may thus be put into the hands of prospective customers in the Argentine Republic, for instance, at not too extravagant a cost. Yet, the Argentine correspondents might have to pay double ordinary duty on shoes, gloves, etc., arriving one of a pair at a time, because efforts to avoid payment of duty in this manner are only too well known in every country. Sample post answers well enough up to its limit of twelve ounces (gross) in the case of articles of no actual value. It may even be utilized in sending small bottles of liquids, protected by both tin and wooden containers, as authorized by post-office regulations. On pages 261 to 264 are shown some of the post-office regulations.



**AUSTRALIA.**

**AUSTRIA**, including the Austrian offices in the Ottoman Empire at Alexandretta, Beyrouth, Caïfa, Candia, Canes, Cavalla, Chios, Dardanelles, Durazzo, Ineboli, Jaffa, Jannina, Jerusalem, Kerassonda, Merzina, Mytilene, Provence, Rafimo, Rhodes, Salonica, Samsoun, San Giovanni di Medua, Santi Quaranta, Scutari d'Albadie Smyrna, Trebizond, Tripoli (Syria), Valona, Vathi (Samos).

**BAHAMAS****BARBADOES.\*****BELGIUM,****BERMUDA****BOLIVIA,****BRAZIL.\*****BRITISH GUIANA,****CHILE,****COLOMBIA.\*****COSTA RICA**

**DANISH WEST INDIES**, (St Croix, St John, St Thomas)

**DENMARK**, including Iceland and Faroe Islands

**DOMINICAN REPUBLIC****DUTCH GUIANA\***

**DUTCH WEST INDIES** (Aruba, Bonaire, Curacao, Saba, St Eustatius and the Dutch part of St Martin) \*

**ECUADOR \***

**FRANCE** (excluding Algeria and Corsica).\*

**GREAT BRITAIN.\***

**GUADELOUPE** (includ'g Marie Galante, Les Saintes, St Bartholomew and the French portion of St Martins) \*

**GUATEMALA****GERMANY,**

**GERMAN OFFICES IN AFRICA—CAMEROON (KAMERUN)** Duala, Akonolinga, Bamenda, Banjo, Bibundi, Bipindihof, Bonaberi, Bonambesi, Buca, Campo, Dachang, Dume, Ebolowa, Edsa, Garua, Jabaasi, Jaunde, Johann-Albrechtsbohe Joko, Kribi, Küsser, Lobetal, Lolodorf, Lomie, Longji, Marienberg, Molundu Mundek, Nyanza, Ossidings, Plantation, Rio del Rey, Victoria.

**TOGO**—Lome, Agome, Palme, Anecho, Assahun, Atakpame, Kete-Kratschi, Ho, Kpandu, Noepe, Nuyja, Porto Seguro, Sokodo, Tokpli, Tsevia.

**GERMAN EAST AFRICA**—Darassalam, Tanga, Amara, Aruscha, Bagamojo, Bismarckburg, Buiko, Bukoba, Iringa, Kilimanjaro, Kilossa, Kilwa, Kondoa-Irangi, Korogwe, Lindi, Mahenge, Mikindani, Mkalama, Mkumbura, Mororo, Momo, Morogoro, Moschi,

Mpapa, Muja, Mbanza, Mubesa, Neu-Langenburg, Ngerengere, Pangani, Ruanda, Sadani, Schirati, Saonga, Tabora, Tscholo, Uddji, Usumbura, Wiedhaizen, Wilhelmstal.

**4 GERMAN SOUTH-WEST AFRICA**—Windhuk, Luderitzbucht, Swakopmund, Arachob, Aris, Aub, Aus, Berseba, Bethanien, Brackwasser, Brackwater (Bz Windhuk), Empfangnisbucht Epukiro, Fahlgas (Bz Windhuk), Gibson, Gobabis Gochas, Grootfontein Gross-Barmen, Gross-Witvley, Guchab, Haris, Hasuur Hatasama, Hoachanas, Hohewarte, Jakalswater, Johann-Albrechtsbohe, Kalkfeld, Kalkfontein (Sud), Kanus, Karibib, Keetmanshoop, Khan Koes, Kolmannskuppe, Kub, Kubas, Kuibis, Maltahöhe, Marienst, Nauchas, Neudamm, Okahandja, Okalse, Okaukwejo, Okombake, Omaruru, Ongwati, Osona, Otawari, Otjehawera, Otjimbingwe, Otjivarongo, Otjosenjati, Outjo, Prinzenbucht, Ramansdrift, Rehoboth, Saahem, Seels, Tsumab, Ukamas, Usakos, Waldaui, Warmbad, Waterberg, Wilhelmstal.

**5 GERMAN POST OFFICE AT SHANGHAI**—Chinkiang, Hankow, Nanking, Tsinanfoo, Weihsien, Kiowchow, Litun, Mecklinburg-haus, Shatsikoo, Sifang, Taputow, Tsangkow, Taingtow, Taingtow - Grosser-Hafen, Taingtow Tapatau Shanghai.

**6 GERMAN SAMOA****GREECE.\*****HAITI.****HONDURAS, (British)****HONDURAS (Republic of)****HONG-KONG.**

Aberdeen, Amoy, Au Tau, Canton, Chungchow, Foochow, Hojhow (Kingchow), Hong Kong, Kowloon, Liu Kung Tau, Ningpo, Ping Shan, Sai Kung, Sha Tin, ShooTowKok, Shanghai, Sheung Shui, Stanley, Swatow, Tai O, Tai Po, Wei Hai Wei.

**HUNGARY****IRELAND.\*****ITALY**

**1 ITALIAN OFFICES IN OTTOMAN EMPIRE (TURKEY)**—Bengasi (North Africa), Durazzo (Albania), Galata (Constantinople), Jerusalem (Palastine), Canes (Crete), Pera (Constantinople), Salonica (Roumelia), Scutar (Asia Minor), Smyrna (Asia Minor), Stamboul (Constantinople), Tripoli in Barbary, Valona (Albania).

**2 ITALIAN COLONY OF ERYTHREA (AFRICA)**, Ady Caje, Adi Ugri, Agordat,

Asmara, Assab, Keren, Ne-fasit, Massana, Saganafit.

**3 ITALIAN PROTOTO-RATE OF BENADIR**—Bravo, Gumbo, Merka, Mogadiscio.

**JAPAN**

**IN MANCHURIA**—Antoken (Antung), Bujun (Fushun), Choshun (Changshun), Dairen (Tairen, Taitien, formerly Dairen), Daisenkio (Tashichiao), Daitoko (Tatungku), Furanten (Pulenton), Gaihei (Kaiping), Glukaton (Newchatun), Gwaboten (Wafantain), Hsahiko (Pitzuwo), Honkoko (Pengshih), Hosen (Mukden), Howojro (Fenghuangcheng), Kaigen (Kalyuen), Kaijo (Halmueng), Kinshu (Chinchow), Koshurei (Kungchuling), Rijoyn (Port Arthur), Rijoyn (Liaoyang), Riujun (Lushutun), Senkisa (Chenchinsai), Shihelgai (Saupingchien), Shoto (Changtu), Shinmifu (Shingminifu), Sokato (Szechokow), Sokaton (Suchiatun), Taikzan (Takwshan), Tetsurei (Tehling), Yendai (Yentai), Yuga-kujreo (Hsilingyocheng).

**IN CHINA**—Amoy, Changsha, Chefoo, Foochow, Hangchow, Kiuksiang, Newchwang, Peking, Shanghai, Shensi, Soochow, Tongku, Tientsin, Wuhu.

**IN KARAYUTO**—Saghalien

**FORMOSA.****KOREA.**

**JAMAICA** (including the Turks and Caico Islands)

**LEEWARD ISLANDS**, (Antigua, with Barbuda and Redonda, St Kitts, Nevis, with Anguilla, Dominica, Montserrat and the Virgin Islands)

**LIBERIA****MARTINIQUE\*****MEXICO.\*****NETHERLANDS.\*****NEW FOUNDLAND.**

**NEW ZEALAND** (including Fanning Island),

**THE COOK ISLANDS**, including Aitutaki, Atin, Hervey (Manua), Mangara, Mauke, Mitaro and Rarotonga, also the Islands of Palmerston (Avarau), Manahik, Penrhyn (Tongreva), Pukapuka (Danger), Rakaanga, Savage (Nido) and Suwarrow.

**NICARAGUA,****NORWAY,**

**PANAMA** (Certain offices),

**PERU,****SALVADOR,****SWEDEN,**

**TRINIDAD** (includ'g Tobago)

**URUGUAY,\*****VENEZUELA,**

**WINDWARD ISLANDS** (Grenada, St Vincent, Guadalupe and St. Lucia)

\* See paragraphs under heading 'Exceptions.'

Unsealed packages of mailable merchandise may be sent to above-named places subject to the conditions herein prescribed, viz

Limit of weight .....	11 pounds
Greatest length .....	3 feet 6 inches
Greatest length and girth combined .....	6 feet
Postage .....	12 cents a pound or fraction

### \*EXCEPTIONS

Except that parcels for Colombia and Mexico must not measure more than two (2) feet in length or more than four (4) feet in girth

Parcel-Post packages for Barbadoes, Dutch Guiana, Dutch West Indies, France, Guadeloupe, Great Britain, Ireland, Greece, Martinique, Netherlands and Uruguay cannot be registered

The parcel-post service to Brazil is strictly limited to the cities of Rio de Janeiro, Sao Paulo, Bello Horizonte, Bahia, Pernambuco (Recife), Para and Curitiba. Parcels addressed to other destinations in Brazil can only be delivered if arrangements have been made by the addressee for their transmission from one of the seven above mentioned offices to the office of destination or sent at the sender's risk. Such parcels must be endorsed "Delivery Arranged" or "Sender's Risk."

A parcel when sent as Parcel Post must not be posted in a letter box, but must be taken to the Foreign Branch, General Post Office or any Carrier Station, where a declaration of contents must be made, a record kept and a receipt given for the parcel. Packages for Dutch Guiana, Dutch West Indies, France (special form), Guadeloupe, Martinique, Netherlands, Salvador and Uruguay require two declarations, and Venezuela three.

## DOMESTIC PARCEL-POST RATES AND CONDITIONS

To Canada, Cuba, Mexico and the Republic of Panama; also to our several Territories and Possessions.

The postage rate on fourth-class matter to the Hawaiian Islands, United States Postal Agency at Shanghai, Alaska, Canal Zone, Guam, Philippines, Porto Rico, Tutuila, Canada, Mexico, Cuba and Republic of Panama except for parcels weighing four ounces or less, on which the rate is 1 cent for each ounce or fraction thereof, is 12 cents for the first pound and 12 cents for each additional pound or fraction thereof.

The limit of weight on packages addressed to Canada, Cuba, Mexico and the Republic of Panama is four pounds six ounces, to the Hawaiian Islands, Shanghai, China, Alaska, Canal Zone, Guam, Philippines, Porto Rico and Tutuila, twenty pounds. Parcels up to 11 pounds in weight may also be sent by foreign parcel post to Mexico and the Republic of Panama under the terms of the Parcel Post Conventions with those countries. See Foreign Parcel Post Exchanges.

Parcels for Canal Zone, Mexico and Republic of Panama must be accompanied by customs declarations.

C. O. D. parcels shall not be accepted for Canada, Mexico, Cuba, Republic of Panama or the Philippine Islands.

Packages to Canada, Cuba, Mexico and Republic of Panama cannot be insured, but may be registered.

Liquids and fatty substances, except samples thereof are unmailable to Cuba and the Republic of Panama.

### RATES OF POSTAGE and LIMIT OF WEIGHT to Foreign Countries.

Letter Postage to Germany is two (2) cents an ounce or fraction (in direct German steamers only, otherwise the same as other foreign countries) to Newfoundland, Great Britain and Ireland, two (2) cents an ounce or fraction, other articles same as for other foreign countries

The rates of postage for other foreign countries (except Canada, Mexico, Panama and Cuba, which are the same as domestic rates) are as follows.

Letters, for the first ounce or fraction	5 cents
" for each additional ounce or fraction of an ounce	3 cents
Postal Cards, each	3 cents
Newspapers and other printed matter, for each 2 ounces or fraction	1 cent
Registration Fee on letters or other articles	10 cents
Commercial Papers, packages not in excess of 10 oz	5 cents
" " packages in excess of 10 oz., each 2 oz or fraction	1 cent
Samples of Merchandise, packets not in excess of 4 oz	2 cents
" " packets in excess of 4 oz, each 2 oz or fraction	1 cent
Limit of Weight—Packages of printed matter and commercial papers, 4 lbs. 6 oz ,	
samples of merchandise, 12 oz	

#### SAMPLES

Samples of merchandise must conform to the following conditions (1) They must be placed in bags, boxes or removable envelopes in such a manner as to admit of easy inspection, (2) they must not have any salable value, nor bear any manuscript other than the name or profession of the sender, the address of the addressee, a manufacturer's or trade mark, numbers, prices and indications relating to the weight or size of the quantity to be disposed of, and words which are necessary to precisely indicate the origin and nature of the merchandise, (3) packages containing samples must not exceed 350 grams (12 ounces) in weight, or the following dimensions /30 centimeters (12 inches) in length, 20 centimeters (8 inches) in breadth, and 10 centimeters (4 inches) in depth, except that when in the form of a roll a package of samples may measure not to exceed 30 centimeters (12 inches) in length and 15 centimeters (6 inches) in diameter

Articles of glass, liquids, oils, fatty substances, dry powders, as well as live bees, are admitted to the mails as "samples" provided they are packed in the following manner

Articles of glass must be packed solidly in boxes of metal or wood in a way to prevent all damage to other articles or the employees

Liquids, oils and substances easily liquefiable must be enclosed in glass bottles hermetically sealed. Each bottle must be placed in a wooden box filled with spongy material sufficient to absorb the liquid in case the bottle should be broken. Finally, the box itself must be enclosed in a case of metal or wood with a screw top, or of strong and thick leather. If wooden blocks perforated to contain several vials or wooden mailing cases are used, measuring at least one-tenth of an inch in the thinnest part, lined with sufficient absorbing material and furnished with a lid, the blocks need not be enclosed in a second case

Fatty substances, such as ointments, soft-soaps, resins, etc., must be enclosed in an inner cover (box, linen, bag, parchment, etc.), which must be placed in a second box of wood, metal or strong, thick leather

Dry powders must be placed—if coloring—in bags of leather, gummed cloth or strong oiled paper, and if not coloring, in boxes of metal, wood or cardboard, which bags or boxes must be enclosed in a cloth or parchment bag

Live bees must be enclosed in boxes which avoid all danger and permit examination of the contents

**COMMERCIAL PAPERS**

**ARTICLE XVI, UNIVERSAL POSTAL CONVENTION**—1 The following are considered as commercial papers, and admitted as such at the reduced postage specified above. All instruments or documents, written or drawn wholly or partly by hand, which have not the character of an actual and personal correspondence—such as papers of legal procedure, deeds of all kinds drawn up by public functionaries, way-bills or bills of lading, invoices, the various documents of insurance companies, copies of or extracts from deeds under private signature, written on stamped or unstamped paper, scores or sheets of manuscript music, manuscript of books or of articles for publication in periodicals forwarded separately, corrected tasks of pupils, excluding all comment on the work, etc.

2 Manuscript sermons and packages of old letters or post cards may be sent by mail to foreign countries at the rate and under the conditions, applicable to "commercial papers" in Postal Union mails. "Old letters" or "old post-cards" are letters which have served the purpose for which they were originally written and not those which have been withheld from mailing beyond the dates they bear. Commercial papers are subject, so far as regards form and conditions to the regulations prescribed for prints.

**INTERNATIONAL REPLY-COUPONS**

1 These reply coupons, of the denomination of 6 cents each, are issued for the purpose of sending to correspondents in any of the countries named below. The foreign correspondent may exchange the coupons for postage stamps of that country equal in value to a 5 cent United States postage stamp, using the stamp for reply postage. The countries in which the reply-coupon is valid are as follows:

Argentina, Austria and Austrian post offices in Levant, Belgium; Bosnia-Herzegovina, Brazil, Bulgaria, Chili, Corea, Costa Rica, Crete, Cuba, Denmark (see page 85 U. S. Postal Guide, 1918, for complete list), Danish West Indies, Egypt; France (see page 85, U. S. Postal Guide, 1918, for complete list); Germany (see page 85 U. S. Postal Guide, 1918, for complete list); Great Britain, British post offices in Morocco and Turkey, British colonies of Australia, Bahamas, Bechuanaland, Canada, Cape of Good Hope, Ceylon, Cook Islands, Dominica, East Africa, Ellice, Gibraltar, Gilbert, Gold Coast, Honduras (British), Hong Kong and Hong Kong offices in China, India, Labuan, Malta, Natal, Newfoundland, New Guinea, New Zealand, Seychelles, Sierra Leone, Solomon, Somaliland, South Rhodesia, Straits Settlements, Tasmania, Transvaal, Trinidad, Uganda, Zululand, Greece, Haiti; Honduras (Republic of), Hungary; Italy (see page 85 U. S. Postal Guide, 1918, for complete list); Japan (see page 85, U. S. Postal Guide, 1918, for complete list); Liberia, Luxemburg, Mauritius and Dependencies, Mexico, Netherlands, Netherlands, Guiana, the Netherlands Indies, Norway, Portugal (including the Azores and Madeira), Roumania, Salvador, Siam, Southern Nigeria; Spain, Sweden, Switzerland, Tunis, Turkey.

**PREPAYMENT OF POSTAGE**

Foreign mail should at all times be fully **PREPAID**. If not fully prepaid, double the deficiency will be collected upon delivery. See table of rates.

FIG 88—Continued

### 3. OCEAN MAIL CONTRACTS AND PAYMENTS

For the transport of our foreign mails the United States Government contracts with vessels enjoying American registry either on a basis of compensation not to exceed the total amount of the postage paid on the mail matter carried, or on the basis of the Ocean Mail Act of 1891. To others than American vessels, that is, to steamers of foreign register, about one-half as much is paid. In any case the money received from the transport of mails may amount to a highly desirable addition to a ship's income.

The value of these contracts will be better realized in considering that if the whole of the postage on foreign letters prepaid at the rate of 5 cents per ounce (2 cents to England and, if carried in German vessels, to Germany), were paid to steamers of United States register, it would amount to \$1,792 per ton for first-class mail matter. Ships flying any other flag receive 35 cents a pound for letters and post cards, which equals \$784 per ton. Payments for other than first-class matter are 8 cents a pound to American ships and 4½ cents to vessels of foreign register.

Instead of accepting the total amount of prepaid postage on mail matter transported by them, some American steamship lines have taken advantage of the Ocean Mail Act of 1891, to which reference has already been made. Most prominent among these is the American Line, which carries a part of our mails to the United Kingdom and Europe. This line receives over \$600,000 annually, compensation being computed on the basis of the number of miles traveled by the shortest practical route for each outward voyage.

Foreign mails sent from the United States by sea during 1913 aggregated 10,015 tons, of which 1,405 tons were letters and post cards. In 1913 the principal steamship lines carrying foreign mails from our ports received the following sums: North German Lloyd, \$320,000; White Star, \$219,000, Cunard, \$206,000, Oceanic (San Francisco-Australia), \$201,000, Panama Railroad and Steamship, \$188,000; French, \$167,000, Ward (Cuba and Mexico), \$149,000; Pacific Mail (Hawai, China, Manila), \$93,000; and the United Fruit Company (Central America), \$86,000. In addition to the foregoing for the carriage of the United States mails, the same companies transported closed mails of foreign origin, for which some of them were paid as follows. White Star, \$80,000; Cunard, \$83,000; and the North German Lloyd, \$77,000.<sup>1</sup> Steamships, therefore, are well compensated for bestowing special care on the mails with which they are entrusted, and eagerly seek the privilege of carrying them.

The United States does not restrict the despatch of foreign mails to specially favored lines or to ships of American register. The practice is to forward mails by the first or the quickest steamer. On the other hand, unless letters are especially addressed, England and some other countries disregard the earliest sailings or the quickest vessel, and restrict the despatch of mails to such ships of their own nationality as have received special mail contracts.

The laws of the United States, as of other countries, provide that mail ships must, in every case, give first attention to the mails, which must be delivered to authorized representatives of governments before a passenger

<sup>1</sup> Report of the Second Assistant Postmaster-General, 1913.

is allowed to land or the cargo is broken. The master of a mail ship is obliged to make oath that every letter and every bag, packet, or parcel of letters on board his vessel has been delivered to the post-office.

Incidentally, it may be observed in passing that our Post-Office Department has hitherto made large profits from the international mails. A certain proportion of the postage on each piece of mail matter is debited back to the United States by the countries of destination, for inland carriage and delivery, while the United States in its turn debits to foreign countries of origin a proportionate share of the postage on matter received from them. The debits and credits between the United States and the principal foreign countries usually nearly balance. However, in the total, the balance is against us—by over \$200,000 in 1913—indicating that we send more foreign mail matter than we receive. Over one-half of our foreign mails are destined for Europe—England, France, and Germany receiving nearly one-third of the total.

A number of years ago the United States introduced the sea post-office in order to facilitate the prompt distribution of foreign mails. Clerks of the Post-Office Department are detailed to travel on ships that bring the mails from abroad. During the voyage these clerks assort the mail matter so that on arrival the bags may be immediately delivered to branch post-offices in the city of New York or forwarded on the various rail routes to other cities. The Department has found this service very valuable and the example set by our own country has been followed to a limited extent by some others.

## 4 FOREIGN EXPRESS SERVICES

*(a) Their Nature*

Perhaps no one subject connected with foreign commerce has been more generally misunderstood than the services of the so-called foreign expresses. Even writers on this subject of high and, in most respects, unimpeachable authority have failed to appreciate the real nature of such services. In their descriptions and explanations they have managed to convey an entirely mistaken impression of this business. In reality there is no such thing as a foreign express. The very name "express" in connection with ocean transportation is a misnomer, except as it applies to the speed of some of the fastest trans-Atlantic boats, which may properly be called express steamers on that one account alone.

So far as express traffic is concerned, there is no such thing in ocean transportation in general, at least, there has never been any such thing until within the past few years. The advent of the *Mauretania* and *Lusitania* of the Cunard Line, the *Olympic* of the White Star Line, and the *Imperator* of the Hamburg-American Line has presented services which might, perhaps, be called express services to Liverpool, Southampton, and Hamburg, with the possible addition of London, Paris, and Berlin. This service may be called express because of the very limited cargo space available by these fast vessels, the small attention given by the companies to the securing of ordinary cargo, and the high rates of freight demanded for such cargo as is accepted. In their passage from port to port, these boats may be likened to railway express trains, but there all similarity to what we know as express service ends.



However, it is necessary to distinguish between business from the United States to a few countries of Europe and that destined to other parts of the world. Some of the larger companies and firms engaged in the foreign express business have their own offices in England, France, and Germany, and have special arrangements for the prompt delivery of their packages to consignees in and near the capitals or principal commercial cities in those countries. The operations of such a concern in London and Paris, for example, are totally unlike and on an absolutely different plane from the operations of the same transporting agency in delivering goods in Spain, Switzerland, Russia, and other European lands, to say nothing of Australasia, the Orient, South Africa, and Latin America.

One well-known writer on ocean transportation refers to the international express service as traffic in "such articles as require especially rapid and safe transportation and a prompter delivery than can be secured by means of the freight services."<sup>2</sup> Unfortunately, the companies operating as foreign expresses do not give any general, world-wide service of this description. They do not even invariably patronize the fastest boats. Deliveries, as a rule (with the possible exception of those at half a dozen ports), are not any more prompt than are those of general cargo.<sup>3</sup> The only real warrant for the

<sup>2</sup> Johnson, *Ocean and Inland Water Transportation*

<sup>3</sup> In 1893, when the American Line inaugurated its service of four (for that time) fast steamers to Southampton, rapid discharge of cargo was necessary. In connection with special railway trains, a system was established whereby truckmen delivered ordinary cargo goods to the consignee's door, in London, in from 24 to 48 hours after the docking of the steamer at Southampton. Thus they equaled or excelled the best services of expresses in a field most favorable to them. The example then set has not been followed to any great extent at other ports.

application of the adjective "express" to the services of these concerns is the fact that a large part of their operations consists in the transportation of small parcels.

Some of our American express companies also operate international services, but even the operations of these companies in ocean transportation and in delivery to inland points in most foreign territories are in no respects comparable to what we call an express in the United States. Such companies are merely competitors of the private concerns engaged in the foreign freight forwarding business, although some of them call themselves expresses. All such companies and firms, from the American, the Wells Fargo, and the Adams down to the humblest individual who puts up his shingle as a foreign freight forwarder, are in most respects in immediate competition with one another. All compete for practically the same business, even though some may have better facilities in certain respects or in regard to some countries or ports than the others have. In this connection the American Express Company has made a special feature of its European facilities, particularly from London and Paris. The Wells Fargo is credited with having exceptional relations in trans-Pacific business; the Adams claims facilities in Mexico.<sup>4</sup>

A foreign express company's or a foreign freight forwarder's business is based primarily on the convenience and economy offered to shippers in transporting small shipments. These cannot be economically sent by themselves on an ordinary steamship bill of lading. If a shipper has a single shipment the size of an ordinary hat box,

<sup>4</sup> The work of the Foreign Freight Department of an express company is explained in Chapter XVI of Chandler's *The Express Service and Rates*.

or even a case of goods which may weigh 150 pounds and measure 10 cubic feet, he will have to pay a steamship's minimum bill of lading<sup>5</sup> charge, which may equal the charge on a ton or a ton and a half of bulk freight. If, however, a forwarding company can find half a dozen people who have similarly small shipments to go at about the same time to the same general destination, it will be possible for them to combine these shipments and send them through on one bill of lading. The company may instruct its agent at the port of destination to distribute the different packages to their individual consignees. While each shipper is charged a small advance over his pro rata part of the actual freight paid, he still enjoys the advantage of forwarding his small lot of goods at a lower cost than would have been possible had he attempted to ship it by itself. The profits available to the forwarding agent are obvious. In essence, this is the basis of all foreign express operations.

In despatching shipments by ocean steamship, forwarding agents seldom receive better freight rates than are quoted to general shippers, barring a possible freight brokerage, nor do they enjoy any other facilities that are denied to any experienced shipper. They must engage freight room and arrange rates precisely as would the ordinary individual, and bills of lading are issued to them in their own names. Preferential contracts of any sort are not known to exist.

With the exception of Cuba and Porto Rico (where Americans have installed express services modeled after those in the United States), no country in the world except our own has express companies operating, as do our

<sup>5</sup> Explained in Chapter VIII of this treatise

American companies, on the railways. Canada and Mexico must also be excepted, but express services on the railways of these countries are so intimately allied and related to those on our own railways that, in this connection, they are hardly to be considered foreign territories. In most foreign countries, particularly in the countries of Europe, there are both fast and slow freight trains (generally known as *grande vitesse* and *petite vitesse*). However, even the fast freights are regarded somewhat contemptuously by Americans. Especially in European countries, inland parcel post facilities have been developed to perfections and refinements not yet even hoped for in the United States, thus making unnecessary any such railway express services as we know. The greater part of the business of our foreign expresses and freight forwarders consists in port-to-port shipments. Their inland shipments do not, because they cannot, partake in any degree of the nature of our express services. In almost every case they are practically identical with regular through steamship bill of lading shipments, except in so far as combination shipments secure advantages on smaller quantities of freight, which cannot be shipped economically on minimum bills of lading.

#### *(b) Their Facilities*

In making preparations to begin or to extend his business, a foreign freight forwarder, or foreign express, makes arrangements with accredited forwarding agents in those other parts of the world where he wishes to do business. He usually makes these connections in as many foreign markets as possible. Forwarding agents, whose

business in general is similar to that of the freight forwarders known in some of the larger cities of the United States, are found in all countries of the world. In Europe they are familiarly referred to as "spediteurs," from the French term *expéditeurs*. There are many large, important, and responsible concerns operating in this capacity. Some of them have 50 or 100 branches.

The American forwarder arranges with these correspondents to consign to their care all shipments which he may forward to their respective territories. The collection of costs and charges, their remittance back to New York, and the general terms of doing even only an occasional business together are all specifically agreed upon. References are exchanged, of course, although in most cases financial liability is not likely to be considerable. Sometimes a foreign correspondent is willing to display (along with his own) a signboard of the American house, which gives the latter the opportunity of claiming a foreign branch. Branch offices advertised by some New York forwarders are legitimately so called; those of some others are of the sort here indicated.

The American forwarder energetically solicits business from American shippers. Sometimes he specializes in shipments to certain foreign markets where he has established his own branches or enjoys other special facilities. More often he solicits shipments for any and all foreign destinations.

The services of these foreign freight forwarders, or foreign expresses, are often of great value, sometimes well nigh indispensable, to shippers whose business requires the despatch of goods in limited quantities. They may apply to the man who has only a small paper parcel

to send, or to him who usually ships two or three cases at a time. In neither case is the quantity sufficient to secure the most advantageous freight rates. In the former instance, the forwarder packs the paper parcel together with a number of other parcels into a wooden box. This box, perhaps with a good many others, is forwarded to an appropriate correspondent abroad. By him they are unpacked and distributed. In the second instance, by grouping a large number of cases the forwarder secures the best available rates and facilities. In making up combination carloads from interior shipping points, especially for trans-continental shipment, these services may result in very considerable economies.<sup>6</sup>

Furthermore, forwarding agents are a great convenience to shippers located away from seaports who do not have their own houses or representatives at such ports. Goods arriving at New York, for example, must be transferred from the railway terminal to the outgoing ocean steamship. The forwarders attend to carting or transferring in any fashion that may be required. Bills of lading have to be made out, shipments have to be cleared at the custom-house, and frequently consular invoices have to be prepared and certified, etc. The forwarding agents attend to all these matters, sometimes for a lump sum previously agreed upon and sometimes for costs plus a fee that is frequently termed "\$1 for bill of lading." This charge of one dollar does not represent the cost of actual copies of the bill of lading, for with but few exceptions steamship companies supply any quantity of printed bill of lading forms free of charge. Nor does this one dollar represent merely the cost of clerical work in

<sup>6</sup> Compare note, Chapter VI, page 147, as to rates of Chicago forwarders in shipping trans-Pacific freights

writing out the several copies of bills of lading that are required, There is a certain profit in it.

The forwarding agents have other ways, also, of making profits on shipments entrusted to them. The business is a complicated one in the extreme. While a good many individuals and firms make satisfactory incomes from it, yet of comparatively few can it be said that evidence points to "get rich fast" practices or conditions. No matter, then, under what disguise their profits are hidden, the forwarders are probably entitled to such compensation as they usually demand.

Several of the large forwarding agents issue elaborate rate sheets showing charges on packages of different weights to all the principal commercial markets of the world. As a rule, however, these printed quotations are purely nominal and few, if any, of the companies adhere strictly to them. None of these published rates is to be considered as anything more than the maximum that is to be charged. In most instances it will be found after negotiation that the rates named are subject to from ten to thirty per cent discount, depending naturally upon circumstances attending a particular shipment, its weight or volume, destination, etc. To simplify matters for the inexperienced shipper, rates are named per pound, although the steamship rate on the commodity involved may be quoted by measurement. The forwarder protects himself by providing that packages must not measure more than 5 cubic feet to each 100 pounds.

Through forwarding agents, shippers may sometimes arrange for the collection of freight charges at destination, even when the steamship companies insist upon prepayment. This accommodation, however, is not always to be had. It depends to some extent on the de-

**TARIFF FROM SAN FRANCISCO OR SEATTLE TO FOREIGN COUNTRIES.**  
**PACIFIC OCEAN ROUTES.**

These rates apply only to shipments forwarded by steamers from San Francisco, Cal., or Seattle, Wash., and the rate from New York to San Francisco, Cal., or Seattle, Wash., must be charged in addition to the rate shown.

Tariff from		ON PARCELS, PACKAGES, BOXES, BALES, ETC.																				From San Francisco or Seattle	Charge thereon per \$100 or Seattle																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
SAN FRANCISCO, CAL., OR SEATTLE, WASH		(For Bulky Goods, see Rule on Page 433 )																				Each Additional 20 lbs.		Value Ins.	Marine Ins.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
To		When the value of any Merchandise Shipment, including Jewelry Parcels, exceeds \$50, an additional charge must be made on value. The rates given below are based upon 5 cubic feet to each 100 lbs. or 20 lbs. to each cubic foot. The Company therefore reserves the right to increase its charges proportionally when the cubic measurement of goods exceeds the above basis. (See rule for ascertaining cubic measurement on page 419.)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
1	2	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.					lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.

Fig. 40—Tariff Rates from the American Express Company's Shipping Guide



sirability of the shipper as a client, and partly on the nature of the shipment and the character of the consignee, if known. When allowed, the forwarder himself has to prepay the charges as required by the steamship agents and must charge the amount forward to his correspondent at the port of destination as a collect item to be remitted back to New York in due course

Further, forwarders make rather a specialty of taking C O. D. shipments. In principle, experienced shippers believe it better to put transactions of this sort through regular bankers by attaching drafts to order bills of lading. Yet some weight attaches to the forwarding agent's claim that a banker's interest in a shipment expires when a draft is protested. On the other hand, the forwarders and their correspondents are in a position to handle refused goods as business men, to the best interests of the shippers, carrying out the latter's instructions as a bank frequently cannot or will not do.

#### 5. ORGANIZATION OF A FOREIGN FREIGHT FORWARDER'S OFFICE

There are few branches of business that involve the enormous amount of petty detail work that makes the foreign freight forwarder's work complicated almost beyond description. Some idea of the labor, care, and accuracy involved may be gathered from the accompanying forms used in offices of this description. When the patronage of a shipper has been secured, the forwarder provides him with Advice of Shipment forms, which are to be addressed to the forwarding agent with each shipment that is to be entrusted to his care. These forms advise the forwarder of the consignee's name and ad-

dress, the marks and numbers of packages, their contents, net and gross weights, and values. The forwarder is further informed as to whether the inland freight has been prepaid, whether such freight, if not prepaid, is to be charged forward, together with other New York charges; and whether the shipment is to be insured, and, if so, if the insurance and ocean freight are to be prepaid and sent forward collect or charged back to the shippers. Instructions must also be given as to the disposition of bills of lading or receipts, that is, whether these documents are to be remitted direct to the consignee (as may be the case when the latter has paid for his goods in advance of shipment), or are to be drawn to order or otherwise returned to the shippers. The form shown on page 279 is typical of those in use.

After the receipt of such Advice of Shipment, together with the railway bill of lading, the forwarding agent awaits arrival notice from the railroad. Meanwhile, he enters the details of the shipment on his books and arranges for its despatch by an appropriate steamer. Upon arrival of the goods at New York, the forwarder's drayman picks them up at the railway terminal. He either transports them directly to the steamship dock, where permit from the shipping company has been put on file, or he takes them to the forwarder's own office if the ship is not ready to receive or if the shipment is to be repacked, remarked, or grouped with others.

The details of inland freight charges, drayage, other expenses necessitated, the various operations performed, the packing, the clearance, insurance, consular invoices, etc., are all entered on appropriate sheets called Packing and Groupage Slips. One of these applies to each bill of lading taken out by the forwarder. When operations

**OFFICES:**  
**CHICAGO** 443 MARQUETTE BUILDING  
**NEW YORK** 642 OLD SOUTH BUILDING  
**PITTSBURGH** 324 WHITEHALL BUILDING  
**ST. LOUIS** 435 OLIVER BUILDING  
**SAN FRANCISCO** 1801 WRIGHT BUILDING  
**LOS ANGELES** 678 MONAGHAN BUILDING  
**LOS ANGELES** 515 CENTRAL BUILDING

**SHIPPING INSTRUCTIONS**  
 TO  
**JUDSON FREIGHT FORWARDING CO.**  
 FOREIGN AND DOMESTIC FREIGHT FORWARDERS  
 AND CARLOAD DISTRIBUTORS  
 Contracting and Forwarding Agents Pacific Mail Steamship Co.  
 AND  
 TOYO KISEN KAISHA

**JUDSON FREIGHT FORWARDING CO.**  
 443 MARQUETTE BUILDING  
 CHICAGO, ILL.

FROM (CITY) \_\_\_\_\_  
 DATE, \_\_\_\_\_ 191\_\_

GENTLEMEN:—We shipped on \_\_\_\_\_ the following goods.

MARKS AND NUMBERS	No and Kind of Packages Specified	CONTENTS	GROSS WEIGHT POUNDS	NET WEIGHT POUNDS	MEASUREMENT

Consigned in your care as per enclosed R R Bill of Lading of the \_\_\_\_\_

**Which please forward to destination in accordance with the following instructions**

Make Bill of Lading in the name of \_\_\_\_\_

Consign to \_\_\_\_\_  
 (If documents are to be booked write ORDER before name of consignee)

Destination \_\_\_\_\_

Party to be notified and address \_\_\_\_\_

Insure shipment for \$ \_\_\_\_\_ and bill premium to \_\_\_\_\_

Value for Custom House Clearance is \$ \_\_\_\_\_

Ocean freight to be charged to \_\_\_\_\_

Freight to CHICAGO to be charged to \_\_\_\_\_  
NEW YORK

Cartage to be charged to \_\_\_\_\_

Regular forwarding charges, Custom House or Consular fees, to be charged to \_\_\_\_\_

No of Bills of Lading to be mailed { to \_\_\_\_\_ Originals \_\_\_\_\_  
 to \_\_\_\_\_ Non-Negotiable Copies \_\_\_\_\_

If shipment does not arrive at CHICAGO by \_\_\_\_\_ advise us by wire so that we can trace it  
letter

Remarks \_\_\_\_\_

Yours truly, \_\_\_\_\_ SHIPPERS.

**SPECIAL INSTRUCTIONS TO SHIPPERS** All Trans-Pacific less carload shipments should be consigned in our care at 443 Marquette Bldg., Chicago, Ill., and all carload shipments in our care at 15th and Jefferson Sts., Chicago, Ill., B & O C T Ry, delivery Small shipments (Trans-Pacific) sent us by express should be consigned in our care at 15th and Jefferson St., Chicago, Ill. All Trans-Atlantic shipments should be consigned in our care, Whitehall Bldg., New York, N Y Send us railroad bills of lading, showing clearly marks and numbers of packages.

**JUDSON FREIGHT FORWARDING COMPANY**

are completed, charges made up, posted, etc., the necessary receipts or bills of lading, insurance certificates, etc., are either sent back to the shipper or forwarded abroad, as the shipper may have instructed.

Whenever a forwarder's steamship bill of lading covers a combination or group of several shipments from individual shippers, as is almost invariably the case, the forwarders themselves issue receipts or bills of lading of their own to each individual house whose goods they are transporting. Such bills of lading may usually be employed for banking purposes, as would be the original steamship bill of lading. These documents generally show the name of their agents at port of destination through whom delivery will be made to consignee.

These foreign agents may not always be located in the home city of the consignee, but may be at some neighboring port or city. For example, a New York forwarder may combine on one bill of lading a number of individual shipments destined for Norway, Sweden, and Denmark, and forward all to his correspondent at Copenhagen with instructions to distribute to the several destinations.

A waybill is made out for the advice of the foreign agent of the American forwarder, giving such details as (1) the ship transporting the goods, (2) the names of the original shippers, (3) the number of packages, together with their marks, contents, values, and weights; (4) the contents of packed cases, and their distribution; (5) the amounts to be collected, (6) the names of the consignees; and (7) instructions as to whether charges and disbursements are to be debited to the American forwarders or carried to destination and collected, with other expenses, from the consignee, etc. This waybill, together with a letter containing any further instructions, per-

**S. S. WAYBILL**

## CONNECTING

WAY BILLS

**NUMBER**

NO DATE      ADDRESS      **FREIGHT**

CLEARANCE                 INSURANCE                 COD'ENT'D

[illegible]

**New Packed** \_\_\_\_\_

**Signature of Packer**\_\_\_\_\_

**WEIGHT**

**185.**

### Measurement

**CUBIC**

Are all connections made? \_\_\_\_\_

Way-Bill Checked by \_\_\_\_\_

Deo's checked and journalized by \_\_\_\_\_

**Signature complete**.....

FIG. 44.—Packing and Groupage Slip by Means of Which the Forwarding Agent Keeps Track of Each Shipment

haps copies of invoices, consular documents, or other necessary papers, and the original steamship bill of lading, is mailed by the forwarder to his foreign agents at the port of destination of the steamer employed

On arrival in the hands of the forwarder's agents abroad, the various goods making up the shipment are identified by means of their marks, numbers, etc. Each individual delivery is then made as may be necessary and as the foreign agent may meanwhile have been instructed by the original shipper's consignee. In some instances a third agent may be called into the transaction, as, for example, in the case of the illustration quoted of scattered Scandinavian shipments to an agent at Copenhagen. In this case the Copenhagen agent distributing a shipment from his New York correspondent would forward some cases included on the American waybill to Christiania, some to Gothenburg, and perhaps still others to Stockholm. Probably in each such instance he would consign these individual divisions of his original consignment in a new combination of his own to local forwarders at Christiania, Gothenburg, and Stockholm. Thus, finally, the specified units would reach the customers of the American manufacturer.

It is customary for forwarding agencies to render an itemized bill showing the various expenses incurred in handling shipments. A copy of such a bill is shown on page 283.

## 6. SELECTION OF FORWARDERS OF FOREIGN FREIGHT

It is an unfortunate fact that certain abuses have crept into the forwarding and foreign express business which make it advisable for shippers to use care in selecting

SA 13-12 C. P. H. 5729

## EXPORT EXPENSE BILL

To **G. W. SHELDON & CO., DR.**

24 STATE ST., NEW YORK

612-618 MONADNOCK BLOCK, CHICAGO

17 JAMES ST., LIVERPOOL

22 RUE BERGERE, PARIS

38 LEADENHALL ST., LONDON

53 QUAI D'ORLEANS, HAVRE

Export and Import Freight AgentsCustoms Brokers and Insurance Agents

Messrs. \_\_\_\_\_

Chicago, \_\_\_\_\_ 19\_\_

W B No. \_\_\_\_\_

Date of Ship.

Freight from

To

Cartage at

Marine Insurance \$

at

Consul Fees and Formalities

Clearing and Forwarding

Ocean Freight

MARKS:

FIG 46—Export Expense Bill

This illustrates how charges of a foreign freight forwarder are made up

their agents and to watch their operations in each and every instance with no little attention. Moreover, it is advisable for shippers to follow their goods through to destination in order to make sure that excessive or unexpected charges are not imposed on their customers by the local representatives of the American forwarders.<sup>7</sup>

As has already been pointed out, forwarding agents are not especially favored by the steamship companies. In fact, in most instances they have to contend with ill-concealed antagonism. The majority of the steamship companies sailing from New York to foreign countries and perhaps one-half of the lines sailing from other ports of the United States are today apparently trying to usurp, to some extent at least, the functions of the forwarding agent and the foreign express. These companies are themselves offering to attend in their own offices to the necessary formalities involved in shipping. They perform this service for a reduced fee and sometimes (at least nominally) without charge. The consideration once shown by steamship agents to the forwarders no longer exists. While brokerage on freights is still usually paid, it is often paid with such bad grace and is so small in amount that forwarders do not depend on it to any considerable extent. Moreover, the steamship companies that undertake this sort of work are themselves sometimes criticised on precisely the same grounds as the forwarding agents. This is

<sup>7</sup> A few months ago the author, when visiting Porto Rico, happened upon an instance where a New York forwarding agent had deliberately erased the discount from the total amount of freight shown on the bill of lading, making the amount to be collected \$14 instead of \$14 minus 70 per cent—that is, \$5 or thereabouts. The consignee, who was well acquainted with the proper rate of freight, declined to pay and the trick was promptly discovered from an examination of the steamship's copy of the original bill of lading.



probably due to the fact that this part of their work is usually entrusted to a special department in their offices.

It sometimes happens that the foreign correspondents of American forwarders take it on themselves to impose unreasonable charges for their own benefits. Very frequently they assume the right to clear the goods at the local custom house, although the consignee of the goods might prefer to do it himself or entrust the operation to some other agent with whom he has special arrangements. American agents usually instruct their correspondents abroad to collect their own charges in addition to whatever may be enumerated on the New York agent's waybill. For these reasons, it will be seen that shippers ought always to watch the operations of forwarding agents whom they patronize in order to see that their foreign customers are honestly dealt with and are thus encouraged to continue business relations.

The varying facilities which the several agents are able to offer, especially to ports of minor importance, are another reason for the exercise of discretion in selecting forwarding agents. In most instances many packages go to widely separated destinations. While a forwarder is supposed to despatch shipments with the least possible delay—always by the first available steamer—yet it is said that this is not always done, especially by smaller concerns. The best class of forwarders probably does not indulge in such practices as these. However, even one of the latter may sometimes be in a position to quote especially attractive rates to a given foreign destination if he happens to have a considerable quantity of freight on hand or in sight for that destination.

Exorbitant or unwarranted charges on the part of

forwarding agencies in this country have caused much dissatisfaction among foreign customers. The handicap to the expansion of business is obvious.

Before the inauguration of parcel post services in the United States, some forwarding companies, both American and European, succeeded in making arrangements with the Governments of several European countries to extend the parcel post services of these countries to the United States. Most people who received packages under this arrangement were greatly surprised when charged, by the American agents, fees amounting to from 75 cents to \$3 per package, when friends and correspondents in the countries of origin had fully prepaid postage at ordinary rates. The people sending the packages naturally thought that they were prepaying everything and that their parcels would be delivered without additional cost. This practice became so notorious that our postal authorities were obliged to take official notice of it.

Although the author regrets the rather unpleasant picture just painted of bad practices which sometimes mar relations with foreign freight forwarders and foreign expresses, yet he wishes again to emphasize the great convenience their services offer to shippers of small parcels and to those located in the interior of the country for developing foreign business. When arranged with a thorough knowledge of conditions and practices, contracts with foreign freight forwarders relieve shippers of much care and work and their services may even be called indispensable.

#### 7. ADJUNCTS TO THE FORWARDING BUSINESS

Many foreign freight forwarders advertise that they are willing to cash the foreign shipments of American

manufacturers. This means that the forwarder will discount a draft drawn by a well-rated manufacturer on a foreign customer, when the shipment is made through the forwarder. In other words, the forwarder performs a service which may be secured from any of the well-known and highly responsible foreign exchange bankers. As a matter of fact, these forwarders simply take the shipper's drafts to these bankers, cash them on the strength of the shipper's endorsement (without adding their own), and charge a small per cent for so doing.

Few of the forwarding agents work with sufficiently large capital to devote any considerable part of it to the banking business. Nor do they, as a rule, have foreign banking connections of their own. For the rest, the shipping community has witnessed within the past five years an impressive illustration of the dangers that may be incurred in diverting drafts from their proper and natural channel. These remarks do not necessarily apply to certain well-known express companies of this country which have developed a large exchange and banking business with ample capital and responsibility, partly commercial and partly in the way of express money orders utilized by tourists.

While shippers seldom seem to inquire as to the responsibility of forwarding agents, it seems clear that adequate resources and a capital indicating probable permanence are highly desirable. This becomes evident when damages have to be collected for blunders that have been committed. The settlement of accounts and the untangling of shipments are of extraordinary difficulty when forwarders fail.

Acting as buying as well as forwarding agents for merchants in other countries, some foreign freight forward-

ers infringe on the province of the export commission houses. This, again, is a form of business utterly foreign to the real province of the freight forwarders. Few of them have the necessary acquaintance with markets, sources of supply, etc. The placing of orders is a feeder to their proper business, that of shipping. While this practice is entirely legitimate, still it seems probable that, with the growth of its proper business, a forwarding house will find less and less time to bother with such side issues.

### TEST QUESTIONS

- 1 In general, with what foreign countries has the United States established parcel post relations?
- 2 How would you proceed to find out what the parcel post regulations, services, and rates are?
3. Explain the provisions of the United States sample post system
- 4 Explain the United States system of ocean mail contracts and payments.
- 5 What is meant by the sea post-office?
6. Explain the nature of foreign express services How do they compare with the express service in the United States?
7. What is the distinction between a foreign express company's business and a foreign freight forwarder's business?
8. What is meant by a "spediteur"?
- 9 Explain specifically what services are rendered by a foreign freight forwarder to a shipper
10. Explain contents of a waybill made out by a freight forwarder to his agent abroad.
- 11 How does the forwarder's agent in the foreign countries dispose of the shipments which he receives?
- 12 What precaution should be taken by a shipper in selecting forwarding agents?

## CHAPTER X

### MARINE INSURANCE

#### 1. NECESSITY OF MARINE INSURANCE

Railways are by law the insurers of the goods they transport. This is not true of water carriers. The difference between the responsibility of these two types of public carriers is found partly in the dissimilarity of the risks involved in each instance and partly in the fact that ships owe nothing to the people or the State for franchises, privileges, gifts, or even the free use of public property. A thousand years before the steamship or the steam engine, commerce in ships had so far developed that laws, rights, and usages were formulated and generally recognized by the trading nations of the known world. Some of these have descended even to our own day. Hundreds of years before the famous Digest of Justinian,<sup>1</sup> the people of Rhodes—that island of commanding position at the eastern end of the Mediterranean—had established the principle of protection. They argued that when a ship was compelled for self-preservation to cut away her mast, for example, or to lighten her cargo by throwing a portion overboard, it was only fair and right that all the interests at stake should pay a pro rata share of the loss sustained for the benefit of all. This principle has been handed down to us and is now known as General Average. It is one of the peculiar maritime risks against which the ancients recognized the necessity of insuring.

<sup>1</sup> Published about the year 500 A. D.

## 2 RISE AND PROGRESS OF MARINE INSURANCE

Everybody is familiar with fire and life insurance and the many recent elaborations of insurance protection. While marine insurance is by far the most ancient of all, it is, in general, the least understood. The principle is so ancient that its origin is completely lost. Those great financiers, the Lombards, after they had engaged in and perfected the business at home for two hundred years, introduced it to England in the fifteenth or early sixteenth century. It quickly took firm root in all the commercial centers of Europe. Even the word insurance is of Italian origin, as is policy (from the Italian equivalent of a promise). Early merchants in the American colonies insured their ventures in London. Philadelphia and Boston are rivals in claiming the first local insurance office, the one in 1721, the other in 1724. Even as late as the first years of the American Republic, this business was done, as in London, through underwriters. Very quickly, however, the insurance company developed in this country and the older and far more complex system was forgotten in America.

"Lloyd's" is synonymous with marine insurance the world over, "Lloyd's agent" is to be found in every port distinguished on the most elaborate map and in many that appear only on mariners' charts. The existing Corporation of Lloyd's developed from Lloyd's Association of Underwriters, formed in 1770 to correct an abuse known as "wager policies." These had grown up among the brokers and underwriters who had made their chief meeting place since 1692, at least, in one of those great news marts of the day, a popular coffee house established by Edward Lloyd in London.

The most reliable historian of Lloyd's declares that Edward Lloyd "was at least not a mere 'coffee house keeper' but a man of literary attainments who established and conducted more than one newspaper." Lloyd's News was permanently established in 1726 (a venture in 1696 having lasted only a few months), and in the form of Lloyd's List still flourishes, the oldest existing paper but one.<sup>2</sup>

At Lloyd's headquarters of today in the Royal Exchange, the "hub" of the marine insurance business of the world, there gather perhaps 400 members, each carrying on a marine insurance business in very much the same fashion as that of two hundred years ago. No one man assumes great liability on any single risk. Every risk is covered by many different underwriters, each in his own name taking a small share. Lloyd's as a corporation does no insuring. Here is the process followed:

An English merchant, on shipping goods, sends to the Royal Exchange a memorandum giving particulars of the shipment, kind of goods, number of packages, values, destination, rate of premium desired, etc. This is put into the hands of a broker who despatches one of his clerks on a tour around the desks of the other members. Those who wish to "take a line" on that particular risk initial the "slip," as it is called, that is, underwrite it, with the proportion of the total each wishes to assume—perhaps £50, perhaps £100 or £200, seldom more, except in risks involving very large amounts of money. Five or six underwriters usually cover a risk of \$2,000, twenty one of \$10,000. The broker then sends a "covering note" to the shipper, serving until a regular policy can be made

<sup>2</sup> Martin, Frederick, *The History of Lloyd's*

out in due form endorsed with the signatures of the various underwriters who have agreed to share in the risk.

In the United States we have known nothing of this manner of insuring for more than a hundred years. Our marine, like other insurance, risks are covered by companies, one company taking the whole of any proffered risk, arranged on mutually satisfactory terms. The company that takes the risk frequently reinsures a portion of it in other companies. In England, too, companies participate in this business. The Royal Exchange and the London Assurance corporations, the oldest in the world, began competing with Lloyd's as early as 1720. England still continues to be the great marine insurance as well as financial and shipping center. It has been estimated that British concerns cover three-quarters of all the marine risks of the world.<sup>8</sup> We know them well in the United States where their branches do an enormous business. Supplemented by German, Swiss, Chinese, Australian, and other companies, they actively and successfully compete with American companies.

### 3. AMERICAN MARINE INSURANCE COMPANIES

The first American marine insurance company, The Insurance Company of North America (still in existence), was chartered at Philadelphia in 1794. American companies prospered, free from local competition on the part of foreign concerns, up to the period of the Civil War. The havoc wrought by Confederate cruisers on the merchant shipping of the North was a deadly strain on the American insurance companies, although bravely

<sup>8</sup> Captain Bates, in his *American Marine*, in 1892, said seven-eighths.



endured by most of them.<sup>4</sup> Claims were paid in full under the usual reserve—if owners were ultimately to recover losses from or through the Government, the insuring companies should be reimbursed. The settlement, in 1873, of the Alabama Claims for \$15,000,000 by Great Britain returned to shipowners a portion of their losses at least. But the American insurance people claim that not one cent was turned over to the weakened insurance companies, which had steadfastly stood by American shipping in its trials. According to old-timers in New York, it was this that killed American marine insurance. Out of nine American companies doing business and prospering in 1861, only two survived in 1873.

In 1871 there was but one foreign marine insurance company doing business in the United States; in 1874 there were seven. Keenly awake to the opportunity offered by the decease or withdrawal from the field of American companies, foreign, particularly British, companies promptly invaded the United States, finding in New York a peculiarly favorable field. They are allowed to operate in that State upon the deposit of \$200,000 in bonds (a good investment in themselves), on which amount only they are taxed, whereas a native American company must pay on its total capitalization. This is the explanation which our own insurance interests give of the decadence of American marine insurance and the pre-eminence of foreign companies in this country.

Efforts have been made by some writers to attribute to an alleged discrimination by Lloyd's against American-built vessels a share in the decay of our merchant marine.

<sup>4</sup> During the Civil War one insurance company is said to have paid \$2,000,000 in losses on war risks. The total loss in property inflicted by Confederate cruisers on the high seas has been estimated at \$20,000,000.

and shipbuilding interests.<sup>5</sup> It is true that Lloyd's early pronounced themselves in favor of lower rates on iron than on wooden steamers and that that practice worked to the disadvantage of American vessels, clinging to wooden construction, as we did, long after it had been abandoned in Great Britain. It is true, too, that Lloyd's gave steamers an advantage over sailers, greatly to the irritation of some American interests, particularly those in our Pacific Coast grain trade. But it is difficult at this time to believe that this was a deep-laid plot to kill off American shipping competition. Moreover, it is noteworthy that our own insurance companies of today ridicule the idea that Lloyd's classification of vessels or British insurance rates have or ever did have any connection with either our shipbuilding or our marine insurance business. The chief complaint of American companies at present is that their foreign, especially their British, competitors give a higher rating to some ships than our own authorities believe to be warranted. They insure doubtful risks, hulls of no matter what nationality, American or European, at lower premiums than American companies will accept.

#### 4. RISKS AND RATES

The cost of protection by marine insurance is a necessary charge both on the carrier and on the cargo. Policies are written both on the hull and on the goods carried and protect primarily against fire and perils of the sea. Many of the large steamship companies insure their own

<sup>5</sup> Notably, by W. W. Bates in his *American Marine* (1892) and W. L. Marvin in *The American Merchant Marine* (1902), some of whose arguments and predictions now appear in retrospect distinctly amusing.

boats, in part if not in whole. They set aside annually large amounts from their earnings, usually in some ratio to the premiums that otherwise would be paid to insurance companies, applying them to self-insurance funds.

As for the cargo, "the object of a policy of marine insurance is to obtain an indemnity for any loss that the assured may sustain by the goods being prevented by the perils of the sea from arriving in safety at the port of their destination" \*.

But nowadays all sorts of clauses may be written into a policy of marine insurance, including loss from earthquakes, pilferage, and leakage of liquids; protection on the wharf while awaiting shipment, delivery, or transshipment; breakage (i. e., of machinery or iron and steel manufactures); risks from the manufacturer's plant by inland rail through by trans-oceanic vessel and interior transportation to the warehouse of the consignee; and even risk by mule-back transport over the Andes. These are all matters of arrangement, and the principles underlying the whole subject will appear more clearly when we look into the conditions of the usual policy of marine insurance.

War risks are not assumed in the ordinary contract of marine insurance. When that protection is desired it is necessary to issue in each case a separate policy, the terms of which will vary according to nationality and destination of ship, supposed safety of sea routes, etc.

Rates for marine insurance protection naturally vary according to the commodity, the manner in which it is shipped, its destination, and the character or official rating of the vessel by which shipped, etc. The normal range of premium percentages, under ordinary conditions without unusual clauses, may be said to be from one-

\* Duckworth, *An Epitome of the Law Affecting Marine Insurance*

quarter of 1 per cent to  $1\frac{1}{2}$  per cent, although as much as 3 or even 5 per cent may be charged in some exceptional cases. Figure 47 exhibits the rates of marine insurance charged on the cargoes of sail and steam vessels sailing from the port of New York to domestic and foreign ports during the year 1912 as published by the Chamber of Commerce of New York.

FROM NEW YORK TO	SAIL	STEAM
Boston . . . . .	$\frac{1}{2} @ \textcircled{1}$	$1/10 @ \frac{1}{4}$
Providence . . . . .	$\frac{1}{4} @ \frac{3}{4}$	$1/10 @ \frac{1}{4}$
Baltimore . . . . .	$\frac{1}{4} @ \frac{3}{4}$	$1/10 @ \frac{1}{4}$
Pensacola . . . . .	$1\frac{1}{2} @ 2$	$\frac{1}{4} @ \frac{3}{4}$
Mobile . . . . .	$1\frac{1}{4} @ 2\frac{1}{2}$	$2/10 @ \frac{1}{2}$
New Orleans . . . . .	$1\frac{1}{4} @ 2\frac{1}{2}$	$\frac{1}{2} @ \frac{1}{2}$
Galveston . . . . .	$1\frac{1}{4} @ 2\frac{1}{2}$	$\frac{1}{2} @ \frac{1}{2}$
San Francisco . . . . .	3 @ $3\frac{1}{2}$	$1\frac{1}{4} @ 2\frac{1}{4}$
San Francisco via Isthmus . . . . .		$\frac{1}{2} @ \frac{3}{4}$
London . . . . .	$\frac{3}{4} @ 2\frac{1}{2}$	$\frac{1}{4} @ 1$
Liverpool . . . . .	$\frac{3}{4} @ 2\frac{1}{2}$	$\frac{1}{4} @ 1$
Glasgow . . . . .	$\frac{3}{4} @ 2\frac{1}{2}$	$\frac{1}{4} @ 1$
Havre . . . . .	$\frac{3}{4} @ 2\frac{1}{2}$	$\frac{1}{4} @ 1$
Hamburg or Bremen . . . . .	1 @ $2\frac{1}{2}$	$\frac{1}{4} @ 1\frac{1}{2}$
Bordeaux . . . . .	1 @ 2	$3/10 @ 1$
Genoa . . . . .	1 @ $1\frac{3}{4}$	$3/10 @ 1\frac{1}{2}$
Trieste . . . . .	$1\frac{1}{2} @ 2\frac{1}{2}$	$\frac{1}{2} @ 1\frac{1}{4}$
Smyrna . . . . .	$1\frac{1}{2} @ 2\frac{1}{2}$	$\frac{1}{2} @ 1\frac{1}{4}$
Cape Town . . . . .	2 @ $2\frac{1}{2}$	$\frac{3}{4} @ 1\frac{1}{4}$
Canton or Hong Kong . . . . .	$2\frac{1}{4} @ 4$	$\frac{7}{8} @ 3$
Shanghai . . . . .	$2\frac{1}{4} @ 4$	1 @ 3
Japanese ports . . . . .	$2\frac{1}{4} @ 4$	1 @ 3
Vera Cruz . . . . .	2 @ $2\frac{1}{2}$	$4/10 @ 1$
Colon . . . . .	2 @ $2\frac{1}{2}$	$3/10 @ 1$
Havana . . . . .	$1\frac{1}{2} @ 2\frac{1}{2}$	$\frac{1}{4} @ \frac{3}{4}$
Port-au-Prince . . . . .	$2\frac{1}{2} @ 4$	$\frac{7}{8} @ 1\frac{1}{4}$
Rio de Janeiro . . . . .	$1\frac{1}{4} @ 1\frac{1}{4}$	$\frac{1}{2} @ 1$
Bahia . . . . .	$1\frac{1}{2} @ 1\frac{1}{4}$	$\frac{1}{2} @ \frac{3}{4}$
Valparaiso via Cape Horn . . . . .	$2\frac{1}{2} @ 3$	$1\frac{1}{4} @ 3$
Honolulu . . . . .	$2\frac{1}{2} @ 3\frac{1}{2}$	$1\frac{1}{4} @ 1\frac{1}{4}$
Honolulu via rail to San Francisco . . . . .		$\frac{1}{4} @ 1\frac{1}{2}$
Ports in Central America via Isthmus. . . . .		$3/10 @ 1\frac{1}{4}$

①  $\frac{1}{2} @$  means  $\frac{1}{2}$  to.

FIG 47—Rates of Marine Insurance Charged on the Cargoes of Sail and Steam Vessels Sailing from the Port of New York to Domestic and Foreign Ports during the Year 1912, as Published by the Chamber of Commerce of New York

Rates on inland waterways, particularly on some of our rivers, are naturally and for obvious reasons fluctuating and high. A good deal of complaint is heard on this account which, strangely enough, seems to be based chiefly on a comparison of freight charges with insurance premiums. The author confesses himself unable to understand how a comparison can be established between freight rates, based on weights, and insurance premiums, assessed on the value insured. It seems that it might be altogether possible to quote examples of goods of high value and little weight on which the insurance charge would actually exceed the cost of carriage.

Export goods are almost invariably insured under and as per instructions from foreign buyers. In the absence of any instructions, they must still be insured in some fashion and the shipper then usually secures such form as he thinks best. Large importers in other countries often insure their own shipments, e g, under what is known as an open policy. In any case, as the importer pays the cost of insurance, he has the right to dictate what protection he desires. However, shippers must or should often guide their foreign consignees in this respect.

Customers of American houses sometimes instruct insurance against all risks under the impression that that term means literally what it seems to imply. In reality, no such insurance is possible. Marine insurance covers losses from fire on board ship or those caused by the elements or unavoidable accidents. Damage may occur, for example, through improper stowage of cargo, which no insurance policy covers. For such damage the shipowner, not an insurance company, should be held responsible.

Not only are goods shipped by water protected by insurance for their full value, but that value is increased by the actual or estimated cost of inland and ocean freight, insurance, and other charges, and further by an allowance on the gross amount of 10 (often in the Australian and in some other trades, 20) per cent to cover the estimated profit and other contingencies, even if the duties are not insured. Thus, to give a concrete illustration, application for insurance is usually calculated on such a basis as the following.

Manufacturer's invoice	.	\$600 00
Freight to seaport, putting on board, etc		23 00
Insurance, commissions, etc..	. .	21 00
		<hr/>
		\$644 00
	Plus 10%	65 00
		<hr/>
		\$709.00

(Usually insured for \$725 00)

In order to provide for complete indemnity, it is necessary to insure in such a sum as will represent the invoice cost and charges plus the duty and expected profit, all of which enter into the gross sound value. In some countries duties must be paid before damages can be discovered, or even on the sound value of the goods when they are badly damaged. Hence, it is advisable to insure the duties in such cases. This must never be done, however, without the approval of the importers, for the reason that complaint of the additional cost of such insurance and refusal to pay are likely to follow.

**To HAGEDORN & CO, INSURANCE BROKERS,**

6 HANOVER STREET, NEW YORK

PLEASE INSURE \$ \_\_\_\_\_ DUTY AND/OR FREIGHT \$ \_\_\_\_\_

ON _____	ENTERED _____
INVOICE VALUE _____	BILLED _____
PER _____	EXPIRATION NOTED _____
AT AND FROM _____	REPORTED _____
TO _____	UNW INDEXED _____
	FOR REG _____ FOLIO No _____
BILL OF LADING DATED _____	

YOURS TRULY,

NEW YORK, \_\_\_\_\_ 191

WESSELS, KULENKAMPFF &amp; CO

Per \_\_\_\_\_

FIG 48—Specimen Note of Advice to Broker (or Company) Requesting Insurance on a Specific Shipment of Goods

### 5. HOW MARINE INSURANCE IS EFFECTED

To secure advantageous rates as well as to arrange special features of protection, large shippers generally employ brokers rather than try to deal directly with the marine insurance companies. Such brokers receive from the companies a commission on the premiums paid, usually at the rate of  $2\frac{1}{2}$  to 5 per cent. Through the handling of large amounts and their familiarity with practices of sundry shippers as well as the different insurance companies, they often offer advantages and always save time and work. The selection of the insuring company should be, to some extent, guided by its foreign agents. A company that has an agent at the port of destination is to be preferred.

In securing marine insurance the shipper sends to his insurance broker (or direct to a company with which an understanding has been arranged) a memorandum<sup>†</sup> stating the particulars of the risk to be covered. In due course a Certificate of Insurance will be returned, certifying that the shipment in question has been insured under a certain policy number. The certificate represents this original policy conveying all of its rights so far as it concerns the collection of any loss or claims. The certificate, as well as the policy, is drawn in the name of the party insured, almost always the shipper of the goods. In the latter case, assignment through endorsement in blank by the shipper makes the Certificate negotiable. Such proof of insurance, properly endorsed, is required for their own protection by bankers when negotiating a draft on the foreign buyer of the goods.

Of course, a separate policy may be taken out for each

<sup>†</sup> On page 299 a specimen memorandum is set forth.



and every shipment that is made, but a large shipper invariably arranges what is known as an open policy for an amount based on his annual business, against which each separate shipment is declared. In each instance the amount is endorsed on the original policy and a certificate issued based on the terms and conditions carefully prearranged and specified in the policy

Marine insurance policies are "divided into various classes in accordance with the various kinds of insurance effected by means of them."<sup>8</sup> In what are known as valued policies the value of the goods insured, or the maximum amount recoverable in case of loss, is definitely stated. Then there are open policies and floating policies, between which there may be very slight distinction.

In an open policy the value is not given and the loss, if any, whether partial or total, would have to be proved. Loss, if total, is paid in the sum named in a valued policy, but in either valued or open policies partial loss has to be proved. Open policies are frequently utilized by large importers to cover goods in the course of shipment from distant places, which might be lost before the value became known to the insurers. Thus, a house in Shanghai, when ordering cotton sheetings from an American exporter, may instruct the latter to declare the value and the steamer with such and such an insurance company under the Shanghai firm's Open Policy No —.

<sup>8</sup> Gow, William, *Marine Insurance*, by far the best handbook on the subject. The best among elaborate treatises are Arnould, J., *Treatise on the Law of Marine Insurance and Average*, Lowndes, Richard, *Law of Marine Insurance*, Duer, John, *Law and Practice of Marine Insurance*. Brief and inexpensive works are Lawrence Duckworth's *Epitome of the Law Affecting Marine Insurance* and the same author's *Law Relating to General and Particular Average*. All are English, with the exception of Judge Duer's work, which is now over sixty years old. While American practice is based on British, yet variations have developed and a work dealing with American policies, phraseology, clauses, practice, etc., would be welcome.

A floating policy is one that usually specifies the route which goods to be insured take, but it does not mention the names of the vessels or the values. Thus: "At and from the Mersey and or London, both or either, to any port or ports in Spain, inside the Straits of Gibraltar."<sup>9</sup> Floating policies, too, cover insurance from a certain date to a certain date, but in practice the terms "open" and "floating" are often used interchangeably. Instead of specifying the names of steamers, the wording usually is, "Steamer or steamers warranted to sail before 31st December, 1914," while the value involved may be "Ten thousand dollars on manufactured goods to be hereafter declared and valued."

In voyage policies and time policies property is insured for transit from one point to another or for a certain period of time. What is known as a continuation clause has been devised both for time policies and open policies. In the one case it applies when a vessel is known to be at sea in a damaged condition at the expiration of the time set and renewal of insurance would therefore then be impossible; in the other, it applies in the event of declarations exceeding the amount open in the policy.

Interest policies and wager (or gambling) policies are contrasted. The former clearly show from their form and wording that they are intended to cover some real interest in ship, goods, freight, or other matter capable of insurance; the other (the wager policies) show from their form and wording that they do not require from the assured any proof of reality of interest

<sup>9</sup> Hooper and Graham, *Modern Business Methods*.

in what is stated as the subject of insurance.<sup>10</sup> The latter are prohibited by law in Great Britain

## 6. THE MARINE INSURANCE POLICY

He who clearly understands the terms of his policy has a satisfactory knowledge of marine insurance. In this chapter it will only be possible to consider briefly some of the paragraphs and peculiar phraseology used in standard form policies. All insurance policies the world over are based on the policy formulated long ago by Lloyd's. Ours, even with our American indifference to precedent, still retain some of the antique phraseology. Lloyd's own form, frequently called their "S. G." policy, is awkward and in places is hardly intelligible except in the light of long-established practice. No one knows, for example, what the letters "S. G.," appearing near the upper left-hand corner of that policy, originally signified. There are a score of different guesses as to their meaning. They have, of course, been omitted from our American policies, which in many respects have been made fuller and more explicit. The explanations here given as to the meaning of some terms and the intent of some paragraphs has been taken largely from the British Marine Insurance Act of 1906.<sup>11</sup> To the author this seems a remarkable legislative document in its simple, direct, clear statements and definitions.

<sup>10</sup> Gow, *Marine Insurance*, page 18 See also British Marine Insurance Act, 1906, 6 Edw. VII, Chapter 41, Section 4

<sup>11</sup> Where necessary, the present explanations have been amplified chiefly from Dr Gow's fourth edition, 1909 Some credit must also be given to Hooper and Graham's *Modern Business Methods* and, in less degree, to Calvert's *Shipping Office Organization, Management and Accounts*. Strictly American peculiarities are explained from current practice

<p>It is especially agreed that any claim under this Certificate shall be reported immediately to _____ at _____</p> <p>to be adjusted by _____ and upon _____ approval of same endorsed upon the Certificate, shall be paid by the correspondent of Messrs <b>BARING BROS &amp; Co</b>, Limited, London, at place of said endorsement at Rate of Exchange as below</p> <p>Claims to be adjusted according to the usages of port of destination, but subject to the conditions of the policy and contract of insurance</p>	
<p><b>RATES OF EXCHANGE</b></p> <p>Four Dollars and Ninety-five Cents (44 95) to the Pound Sterling      Forty two United States Cents (42c.) to the Florin</p> <p>Five Francs and Six and one quarter Centimes (5 66 1/4) to the      Ninety eight United States Cents (98c.) to Four Marks.</p> <p>United States Dollar</p>	
<p>Marks and Nos. _____</p>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>\$ _____</p> <p style="text-align: center;"><b>Cash Capital \$1,000,000.</b></p> <p style="text-align: center;"><b>BOSTON INSURANCE COMPANY.</b></p> <p style="text-align: center;"><b>INC</b></p> <p style="text-align: center;"><i>New York,</i></p> </div> <div style="width: 5%; text-align: center;"> <p>No. _____</p> </div> <div style="width: 50%;"> <p style="text-align: center;"><b>This is to Certify, that on the _____</b></p> <p style="text-align: center;"><i>insured under Policy No _____ made for _____</i></p> <p style="text-align: center;"><i>on _____</i></p> <p style="text-align: center;"><i>Valued at _____ Shipped on board of the _____</i></p> <p style="text-align: center;"><i>at and from _____</i></p> <p style="text-align: center;"><i>and it is hereby understood and agreed that in case of loss, such loss is payable to the order of _____</i></p> <p style="text-align: center;"><i>This Certificate represents and takes the place of the Policy and conveys all the rights of the Original Policy holder (for the purpose of collecting any loss or claims) as fully as if the property was covered by a special policy direct to the holder of this Certificate, and free from any liability for unpaid premiums</i></p> </div> </div> <div style="text-align: right; margin-top: 20px;"> <p>_____</p> <p><i>Asst Secretary</i></p> </div>
<p><b>CERTIFICATE OF INSURANCE</b></p>	

FIG 50—Marine Insurance Certificate

Space does not permit consideration of the special policy applying to hulls. One of the most interesting as well as most complicated questions arising as to ships themselves is that of liability when vessels have been in collision.

It will be well, first, to remark on some conditions applying to all policies. "A contract of marine insurance is a contract based upon the utmost good faith, and, if the utmost good faith be not observed by either party, the contract may be avoided by the other party. The assured must disclose to the insurer, before the contract is concluded, every material circumstance which is known to the assured, and the assured is deemed to know every circumstance which, in the ordinary course of business, ought to be known by him. If the assured fails to make such disclosure, the insurer may avoid the contract." For example, if a man effected insurance on a ship which he alone knew already to be lost, the insurer could cancel the contract.

For a policy to be valid, the assured must have an insurable interest in the property at risk. A person is said to have an insurable interest when he "is interested in a marine adventure where he stands in any legal or equitable relation to the adventure or to any insurable property at risk therein, in consequence of which he may benefit by the safety or due arrival of insurable property, or may be prejudiced by its loss, or by damage thereto, or by the detention thereof, or may incur liability in respect thereof."

The printed clauses of the policy may be varied or superseded by others, written in, affixed in the form of gummed and printed stickers, or impressed by a rubber stamp. There are, perhaps, a hundred such variations

in frequent enough use to require a corresponding number of rubber stamps in any large marine insurance office

Taking up the policy itself, one notes. (1) That the company makes insurance and causes the ship to be insured, "lost or not lost" This expression applies both to insurance not placed until after the actual departure of a vessel from port, when her existing condition is unknown, and to risks despatched from a distant port when it may not be known whether the vessel has sailed or not.

(2) The phrase "at and from —" followed by the description of the voyage to be insured, for example, New York to Shanghai. Did the policy merely read from New York, etc., the risk would commence only when the ship sailed from New York. The policy then would not protect the assured's property already loaded were the vessel to be burned while lying alongside her pier in New York before sailing.

(3) The expression "whereof is master for this present voyage —" followed by the name of the ship's captain. This is only to identify the particular vessel in question, in case there should be two of the same name. It has also been held by the courts to be a corrective of careless or mistaken spelling of the ship's name, a policy calling the steamship Leonard the Leopard was not vitiated thereby.

(4) The words "beginning the adventure," etc. The English law says, "Where goods or other moveables are insured 'from the loading thereof,' the risk does not attach until such goods or moveables are actually on board, and the insurer is not liable for them while in transit from the shore to the ship." This provision, however, is almost always modified by an added clause, as we shall see, which, in fact, is so much a matter of course

that it is printed in the margin of some policies. "Where the risk on goods or other moveables continues until they are 'safely landed,' they must be landed in the customary manner and within a reasonable time after arrival at the port of discharge, and if they are not so landed the risk ceases" (and shipowner's liability begins)

(5) The words "touching the adventures and perils," etc. The company takes upon itself certain named risks, limited in number as compared with the British form, but the antiquities preserved in the latter are always modified by a "rider." The general formula here is said to date back to 1613. "The term 'perils of the seas' refers only to fortuitous accidents or casualties of the seas." Lord Herschell, in a famous decision, put the matter clearly, thus: "It is well settled that it is not every loss or damage of which the sea is the immediate cause that is covered by these words. There must be some casualty, something which could not be foreseen as one of the necessary incidents of the adventure. The purpose of the policy is to secure an indemnity against accidents which may happen, not against events which must happen."

(6) The term "jettison," already briefly defined under Bills of Lading, which is "the throwing overboard of part of a vessel's tackle or cargo to lighten or relieve her when she is in emergency."

(7) The term "barratry" (also occurring in Bills of Lading), which is defined as follows: "Every wrongful act wilfully committed by the master or crew to the prejudice of the owner, or, as the case may be, the charterer." This is really a relic of old days when ship and cargo were practically at the mercy of the captain and crew. Cables and posts, maps, and lighthouses make this unusual at the present time. "Such acts as the following

are barratrous: Scuttling a ship, intentionally running a ship ashore with the object of throwing her away, setting a ship on fire, abandoning the voyage on which the venture started, illegally selling a ship and cargo and appropriating the proceeds, and deviating from the vessel's proper course for the captain's private business or convenience (mere deviation does not constitute barratry but deviation with criminal intent does)."

(8) The term "all other perils," which is defined to include "only perils similar in kind to the perils specifically mentioned in the policy."

The American policy imposes the necessity for the assured to "sue, labor, and travel for." "It is plain that if either party to the insurance contract takes steps to defend, safeguard, or recover property covered by the policy, these steps shall not be taken to prejudice or alter the respective positions of the parties concerned, and that when the assured, either in person or through factors, servants, or assigns, does his best to avert loss, his expenses in doing this are guaranteed to him by the underwriters in proportion to the sum assured."

When goods are lost, the party insured usually gives notice of abandonment to the underwriters. In this paragraph of the policy a clause is inserted, "No acts \* \* \* shall be considered as a waiver or acceptance of abandonment," in order to protect the insured in case he should be able to recover any part of the goods. Abandonment will later be more fully explained.

The phrase providing that "no partial loss or particular average shall be paid unless amounting to five per cent" is a strictly American provision and, in part, expresses a variation from English practice. It is usually



modified by added special clauses Particular average will be explained at length later.

As regards double or multiple insurance the American practice is like the French and quite unlike the English. "The principle adopted in England is that the insured has the right to make his choice of the policy against which he will make his claim for any loss that may occur, but the underwriters on that policy are entitled to claim from the other underwriters on the same interest a rateable contribution to their loss." In the United States, as in France, "the incidence of the loss is determined by the date of the policy—the earlier policy alone is liable if its amount is equivalent to the value of the interest insured, while the later policies do not come in except for the difference between the values and the amount insured with the earlier underwriters. For any further amount the later underwriters incur no liability, and they return the premium less one-half per cent on the amounts then treated as null." Double insurance occurs chiefly through mistakes or misunderstandings, often when the shipper and the consignee, or the buyer and the seller, have each insured the same goods without knowing that the other has done the same.

A warranty is said by the British Act to mean "a promissory warranty, that is to say, a warranty by which the assured undertakes that some particular thing shall or shall not be done, or that some condition shall be fulfilled, or whereby he affirms or negatives the existence of a particular state of facts."

The part relating to freedom "from loss or damage relating to riot," etc., in the American policy is an elaboration of a well-known clause in British insurance

policies known as the "F. C. S." clause (freedom from capture and seizure), which has become established practice. It is usually either omitted or superseded by a special war clause, at increased premium, of course, in case risks of war are to be covered.

The so-called "Memorandum" in a marine insurance policy is a survival from the earliest times. The American form is greatly elaborated from the comparatively simple one appearing in Lloyd's policies and adapted to modern conditions and cargoes, but the principle governing both requires examination at some length. "Free from average unless general" attracts attention to perhaps the most important condition affecting marine insurance.

## 7. AVERAGE

The usual sense in which we use the word average in the English language (proportional or mean, as in the phrases, average cost, above the average, etc.) seems to be derived from a mediæval use signifying a tax or contribution, usually levied in some proportion to the means of the contributor. In marine insurance the word is differently used and seems to have been adapted from the French *avarie*, meaning damage. In marine policies, average has two meanings: (1) A contribution toward losses and expenses which have been incurred for the benefit of all the parties interested—general average; and (2) a payment to be made by the underwriters for partial loss or damage sustained by the property insured, i. e., where only some of the parties are affected—particular average.

*(a) General Average*

The term general average "signifies that the owners of the ship and cargo generally are liable to make a pro rata contribution towards any losses sustained or expenses incurred where other property or part of the ship has been sacrificed for the general good and for the safety of the ship and cargo generally. For example, if a ship were in distress, from stress of weather or from liability to capture, etc, and the captain, in order to lighten her, were to throw overboard (or jettison, as it is termed) a portion of the cargo, or cut away the masts, cables, etc, the act would be for the general safety of the ship and the remainder of the cargo; therefore, the owners of the ship and the various owners of the cargo (including that lost) would have to make a general contribution pro rata to cover the loss incurred."<sup>12</sup>

"A general average loss is a loss caused by or directly consequential on a general average act. It includes a general average expenditure as well as a general average sacrifice. There is a general average act where any extraordinary sacrifice or expenditure is voluntarily and reasonably made or incurred in time of peril for the purpose of preserving the property imperiled in the common adventure. Where there is a general average loss, the party on whom it falls is entitled, subject to the conditions imposed by maritime law, to a rateable contribution from the other parties interested, and such a contribution is called a general average contribution. \* \* \* Subject to any express provision in the policy, where the

<sup>12</sup> Hooper and Graham

assured has paid, or is liable to pay, a general average contribution in respect of the subject insured, he may recover therefor from the insurer."<sup>13</sup>

"General average is not in any way dependent on insurance for its existence. There is a liability of cargo owner and shipowner to each other for general average quite independent of any contract of either with third parties, such as the contract of insurance is. In other words, general average properly and originally forms part of the obligations that arise out of the contract of affreightment, and is only secondarily connected with insurance."<sup>14</sup> The risk of having to make contributions to a general average assessment is, then, one of those against which the shipper of goods by water insures. Under the terms of his policy, his general average contributions are assumed by the insuring company. The shipper who is not protected by insurance can be made to pay a general average contribution, even if he has lost all of his goods.

An actual illustration given by Hooper and Graham (Modern Business Methods) will serve to make clear the charges that go into general average and how contributions are assessed. A small steamer stranded in the Adriatic while en route from Fiume to Trieste. In order to get her off, the cargo had to be transferred to lighters, during which operation some of the cargo was lost, other portions damaged, and the steamer lost two anchors, several cables, and other gear. The shipowner's losses, chargeable to general average, included: (1) Charges for being towed off; (2) services of divers; (3)

<sup>13</sup> Marine Insurance Act, 1906. 6 Edw VII. Chapter 41, Section 66.

<sup>14</sup> Gow, William, *Marine Insurance*.

tackle, ropes, etc., (4) cost of discharging cargo into lighters, (5) cost of loading chartered steamer; (6) hire of chartered steamer, (7) charges of other steamers for assistance, harbor dues, warehouse rent, etc.; (8) repairing cargo; (9) proportion of wages and provisions of crew whilst vessel was ashore; (10) services of officials in superintending operations, etc.; and (11) adjustment, preparing claims, etc. This made a total of £2,300 in all. In addition, shipper A lost cargo valued at £200; shipper B lost cargo valued at £200; shipper C's cargo was damaged to the extent of £100; and shipper D's was damaged to the extent of £200. The total losses were £3,000.

The contributory values for general average were made up as follows:

Value of ship	.	£3,000	
Less cost repairs	. . .	250	£2,750
Freight at risk..	. . .		450 £ 3,200
A's goods, net value delivered.	.	900	
A's goods lost, invoice value	.	200	1,100
B's goods, net value delivered.	.	600	
B's goods lost, invoice value	.	200	800
C's goods, net value delivered	.	500	
C's goods damaged, sound value	.	100	600
D's goods, net value delivered	. . .	1,200	
D's goods damaged, sound value	. . .	200	1,400
E's goods (not damaged), invoice value	.		4,500
F's goods (not damaged), invoice value	.		3,400
G's goods (not damaged), invoice value	.		5,000
Total of contributory values			£20,000

The total general average losses, amounting to £3,000, are equal to 15 per cent on the value of the ship, freight,

and cargo originally taken aboard; therefore, the general average payable by each party is 15 per cent on the value of his interest. Thus:

Shipowner pays	. £ 480	Shipowner receives	£2,800
A pays . . .	185	A receives	200
B pays . . .	120	B receives	200
C pays . . .	90	C receives . . .	100
D pays . . .	210	D receives . . .	200
E pays . . .	675		
F pays . . .	510		
G pays . . .	750		
	<hr/>		<hr/>
	£3,000		£3,000

It will be noticed that the shipowner and A, B, C, and D each have to pay and receive, the net amounts they receive (£1,945 in all) being equal to the amounts due from D, E, F, and G. The amounts paid would be claimed from the underwriters as general average. E, F, and G, whose goods were delivered intact, would none the less recover from the underwriters the amounts contributed to general average, always supposing they were adequately protected by proper insurance. The amounts realized by the sale of the damaged portions would be paid to the underwriters.

York-Antwerp Rules, frequently mentioned in marine insurance matters, are simply the codification of rules governing various applications of General Average adopted at an International Congress held at York, England, in 1864, as modified at a later Congress at Antwerp in 1877. Application of York-Antwerp Rules is often provided for, but "settlement according to the custom of the port" is also common, practice in different countries varying.

*(b) Particular Average*

"Particular average is the liability attaching to a marine insurance policy in respect of damage or partial loss accidentally and immediately caused by some of the perils insured against, to some particular interest (as the ship alone or the cargo alone) which has arrived at the destination of the venture. \* \* \* The damage must not have arisen from the negligence or misconduct of the assured or his agents, nor from the essential character or natural quality or inherent vice of the object insured, nor from the ordinary wear and tear inseparable from the carrying on and completion of the voyage."<sup>15</sup> Another definition reads "Particular average is a loss which is not a general average loss, and which falls exclusively on the owner or other person interested, giving him no right of contribution against other persons. For example, if, while being hoisted on board, a bale of goods were to slip from the ship's slings and fall into the sea, or if, during bad weather, the sea were to break into the ship's hold and damage a portion of the cargo, the loss thus incurred would have to be borne by the owner of the particular goods lost or damaged, or, if they were insured subject to particular average, by the underwriters."

Especial attention should be directed to the fact that insurance protects only against perils of the sea. To obtain indemnity under a marine policy it must be proved that the damage incurred was thus occasioned. Suppose a consignee of goods shipped by water were to find that those goods, or a part of them, were damaged by oil, apparently from leaky cans in neighboring cargo. Upon

<sup>15</sup> Gow, William, *Marine Insurance*

whom shall he call to make good the loss? Recourse must be had on the shipowner, unless it can be proved to be an insurance claim, i. e., unless the leaky condition of the oil cans was caused by a peril of the sea, perhaps by unusually severe storms that so buffeted the ship as to damage or shift the cargo. To protect the shipowner against such claims the captain of a vessel, immediately upon his arrival in port, notes his protest (see Chapter II under "Ships' Papers"), in which he sets forth any circumstances of his voyage that might conceivably affect claims for damage. If a severe storm has been encountered, the captain records the fact for the express purpose of diverting claims from the shipowner to the insurance companies. But if the storms have not been so severe as to justify a reasonable anticipation of resulting damage to cargo from them, then the insurance people are likely to disregard the captain's protest and insist that the shipowner is the responsible party.<sup>16</sup>

### 8. THE MEMORANDUM

We may now proceed to a consideration of that paragraph called the Memorandum in the policy. The effect of this clause, as it is printed, is to free underwriters from all claims for damages or partial loss unless they reach a specified percentage. First introduced in Lloyd's policy in 1749, the Memorandum became almost immediately the subject of lawsuits and has so continued ever since. The American form is much more stringent than anything ever attempted in England. The text of our

<sup>16</sup> For liability of the shipowner see provisions of the Harter Act of 1893, referred to under "Bills of Lading," Chapter VIII



policy, as we have noted, exempts the insurance company from obligation to pay any claims for partial damage or particular average unless they amount to five per cent. This provision, like those of the Memorandum, is usually modified by special added clauses.

The intention of the Memorandum appears to have been to put goods of every description on an equal footing, certain goods being regarded as peculiarly liable to damage on a sea voyage. "Warranted free from average" here means "loss less than total and resulting from sea damage."

The effect of these words taken in connection with the percentages stipulated in the remainder of the clause is, in the language of Arnould, one of the foremost marine insurance authorities, as regards the group of articles first named, "to free the policy for any extent of deterioration by sea damage however great which does not amount to a total loss;" as regards the other groups, to give the same freedom for any extent of deterioration by sea damage however great not amounting to the percentage respectively stated.

The freedom from claim provided by the terms of the Memorandum is called the franchise. Gow says that the different percentages enumerated were based on the greater or less liability of the goods to damage. "The same considerations have led to the different average terms on which different goods were insured. Some articles seem always to show a certain proportion, more or less, of diminution and deterioration at the end of a voyage. To exclude this apparently inevitable loss, and to prevent the occurrence of vexatious petty claims, it has been arranged that all claims falling short of a certain

amount or percentage should not attach to the policy covering the goods."

In considering the special clauses we shall see the manner in which the printed provisions are modified and special protection extended to the assured. The clauses warranting that the "insurance shall not enure directly or indirectly to the benefit of the carrier," etc., seem to be an outgrowth of the cotton export trade and to apply particularly to it. The remainder of the policy, including the marginal clauses, seems sufficiently clear, or at least to require no comment here.

## 9 SPECIAL CLAUSES

One of the most usual of the special clauses that are employed to modify the printed conditions of the policy, or to cover risks not otherwise provided for, often printed on the Certificate of Insurance, contains these words: "Including risk of craft to and from the Ship or Vessel, each Craft to be considered a separate risk." This, as will be observed, quite alters the condition involved in the time-honored clause of the policy itself, "Beginning the adventure upon the said goods from and immediately following the loading thereof on board of the said vessel," etc. This modifying clause extends the protection from shore to shore.

The "F. P. A." (free from particular average) is almost invariably used. The F. P. A. franchise, usually 3, 5, or 7 per cent, is generally accepted as a fair risk for the shipper himself to carry in view of the reduced premium rate obtainable. It is, however, quite possible to insure, usually at somewhat less than double the F. P. A. rate, "with average" (abbreviated W. A.), or "against

all risks" (abbreviated A. R.). When this is done it must still be remembered that the risks insured against are only those of the sea.

The customary English F. P. A. form reads: "Warranted free from particular average unless the vessel or craft be stranded, sunk, or burnt, each craft or lighter being deemed a separate insurance. Underwriters, notwithstanding this warranty, to pay for any damage or loss caused by collision with any other ship or craft, and any special charges for warehouse rent, reshipping, or forwarding, for which they would otherwise be liable. Also to pay the insured value of any package or packages which may be lost in transshipment. Grounding in the Suez Canal not to be deemed a strand, but underwriters to pay any damage or loss which may be proved to have directly resulted therefrom."

American practice is once more strongly contrasted with English in our own phrasing of this F. P. A. clause. Our customary reading is: "Free from particular average under \* \* \* unless caused by being stranded, sunk," etc. Under the English policy claims may be recovered if a vessel may have stranded in the course of her voyage, whether or not the damages were caused by that accident<sup>17</sup>

Under the Memorandum a shipper might suffer considerable loss and yet not be able to recover the amount from the insurance companies. Take, for example, a cargo of sugar valued at \$100,000. It might be damaged to the extent of \$6,999, and the loss, being less than the 7 per cent stipulated by the franchise, could not be recovered.

<sup>17</sup> Specifically thus provided in the Marine Insurance Act, 1906, under Section 30, First Schedule, Paragraph 14

In order to limit losses thus to be incurred, "the plan was adopted of breaking up the cargo or parcel into smaller subdivisions, and of stipulating that, if in any one of these the requisite percentage of damage was attained, the underwriter should pay his proper portion of it. Each of these subdivisions is technically termed a series. Taking the instance of sugar from Java to Europe, the average terms are that the underwriter pays average if amounting to a franchise of five per cent<sup>18</sup> of any series of twenty baskets running landing numbers. By 'running landing numbers' is meant that the baskets are to be taken in sets of twenty as they come out of the hold and are landed on the quay. Similarly, in cotton the average terms are warranted free of particular average under three per cent on each ten bales running landing numbers. The more delicate the goods, the higher the franchise is likely to be. \* \* \* It may almost be taken as a rule that the more valuable the goods the smaller the series, the idea evidently being that a series should not in value exceed a certain fairly moderate sum (about £100). Thus, when underwriters insure cigars against average, the series generally consists of one case; cotton, ten bales running landing numbers; silk, each package; indigo, each package; tea, ten chests, twenty half-chests, or forty boxes running landing numbers; sugar, twenty baskets (Java), ten hogsheads, twenty barrels, ten cases, or fifty bags"<sup>19</sup>

A great difference is to be noted in the average terms on the same article shipped from different ports, and on outward and inward shipments. Both the series and the

<sup>18</sup> The American policy franchise on sugar is seven, not five, per cent. The above terms are English

<sup>19</sup> Gow, *Marine Insurance*.

franchise on coffee are very different in shipments from Java to Europe and from Brazil to the United States. Inward and outward shipments of sugar are subject to strangely different rules. It often happens that damage, while not amounting to the required percentage on the whole, reaches the limit on one or more series.

Clauses added to a policy to cover liability in series may read, for example. "To pay average on every ten bales, running landing numbers," "to pay average on each package as if separately insured;" "subject to — per cent particular average. Each shipping package separately insured;" "each case subject to particular average if amounting to — per cent."

Goods carried on deck and live animals are sometimes considered subjects for special policies and not regarded as "goods and merchandise" in the usual policy sense. Yet, it has been held that "in the case of cargo carried by river steamers, goods customarily carried on deck are covered by a policy which does not in terms cover deck cargo." Clauses applying to deck loads include: "Warranted free from claim for jettison or washing overboard;" "Free of claim for damage, but liable for the total loss of a part, if amounting to five per cent."

A clause sometimes attached to policies protecting shipments of machinery reads: "In case of loss or injury to any part of a machine consisting when complete, for sale or use, of several parts, this company shall only be liable for the insured value of the part lost or damaged."

There are probably hundreds of special clauses in common or occasional use on marine policies (those just given are purely by way of illustration), and new ones are frequently devised by agreement between shippers and underwriters to cover, at rates mutually agreed upon,

liability under new or unusual conditions in connection with shipments of considerable importance and frequency.

#### 10. INSURANCE CLAIMS

As was hinted in the early pages of this chapter, it is sometimes found advantageous to place marine insurance with companies that have their own representatives at the ports of destination of the shipments insured. No one company has agents everywhere; but, other things being equal, a company should be patronized that has a representative at or near the destinations to which a shipper is frequently forwarding goods. The reason for this is that when damage is found and the necessity for a claim arises, any insurance company will take the report and action of its own agent without question, while it might look with suspicion on the report of some stranger (agent for another company, perhaps), no matter how respected in his own community.

As a rule, the consignee ought to claim and collect damages under marine insurance policies. He is on the ground, and can negotiate directly with the representative of the company. He is in a position to obtain and supply without delay whatever proofs of claim and documents may be required. Moreover, claims are almost without exception adjusted "according to the usages of the port of destination." On the other hand, if he returns the claim to the shippers for collection, it will usually be found that some necessary link in the chain has been overlooked. Requests for more papers or corrected ones may have to be returned. At the later date it may be almost impossible to secure the proofs, figures, papers,

or what-not wanted. In any case collection of claims by shippers is more difficult and slower, at least in New York, than by the consignee. However, the usual Certificate of Insurance, which is sent with other documents to the consignee, may not be sufficient for the latter's use in case of damage. Such Certificates always provide that claims shall be adjusted "subject to the conditions of the policy," and average adjusters may demand proof that all of the essential conditions of the policy are embodied in the Certificate or are otherwise put before them.

There are two kinds of total loss recognized in marine insurance practice. (1) Actual total loss, where the subject-matter insured is destroyed or so damaged as to cease to be a thing of the kind insured, or where the assured is irretrievably deprived thereof; and (2) constructive total loss, where the subject-matter insured is reasonably abandoned on account of its actual loss appearing to be unavoidable, or because it could not be preserved from actual total loss without an expenditure which would exceed its value when the expenditure had been incurred.<sup>20</sup> In the case of goods, there is a constructive total loss when the cost of repairing and forwarding the goods to their destination would exceed their value on arrival.

When a claim for total loss arises, the assured should at once give notice of abandonment to the underwriters. This is usually done formally in writing, and the underwriters often enough reply formally, declining to accept the abandonment, in order to protect themselves in case the loss turns out not to be total. This refusal does not

<sup>20</sup> Marine Insurance Act, 1906. 6 Edw. VII, Chapter 41, Sections 56 and 60.

affect their liability in the least if the claim can be proved. Meanwhile, the assured is expected to take such measures as he can to recover any part of the property and sell it for the benefit of the parties concerned. When the underwriter accepts the abandonment, the property passes to him, the consideration for the transfer being the payment of the sum insured.

The documents required to establish a claim for total loss are: (1) Protest of Master; (2) set of bills of lading (endorsed if necessary, so as to be available to the underwriter), (3) Policy or Certificate of Insurance (endorsed if necessary); (4) statement of loss in detail; and (5) bill of sale and abandonment "with subrogation to the underwriter," that is, an assignment of all interest to the underwriter. The proceeds of property abandoned to the underwriter are accounted for to him and are technically called salvage. A claim for total loss cannot, of course, extend beyond the full amount insured in the policy.

The adjustment of claims for partial loss or damage, that is, for particular average, may present a good many complications, but in ordinary practice is readily and amicably arranged. The books on marine insurance deal at great length with the niceties of some decisions, but the only really essential point necessary to be brought out here is that "the loss for which the underwriter is liable is that which arises from the deterioration of the commodity by sea damage." The rule has thus been stated by an eminent English judge: "The underwriter takes the proportion of the difference between sound and damaged at the port of delivery, and pays that proportion upon the value of the goods specified in the policy."



The documents necessary for the substantiation of a claim for particular average (partial loss) are: (1) Protest of Master, or log book, (2) set of bills of lading, (3) Policy or Certificate of Insurance (endorsed, if necessary); (4) certified statements in detail of actual cash value at destination of goods in damaged state, all charges paid, and the same as to the sound value on the same day; and (5) subrogation of damaged goods to underwriters. At practically every port of the world there are average agents appointed by insurance companies who, upon demand, inspect goods on which damage is claimed.

Small matters may be settled out of hand by the direct agent for the underwriting company; for larger or complicated claims he usually appoints a surveyor or perhaps several of them. The latter may reach an agreement satisfactory to all concerned as to the amount of damage to be paid, or (more often) may order the damaged goods sold at auction. The proceeds, on duly certified accounts, constitute the damaged value. The surveyor also gives a certified statement as to the sound values of the goods on the same day, either from his own knowledge or after inquiries and taking expert opinion and advice. In extremely complicated cases the final adjustment may have to be put into the hands of professional average adjusters.

In determining whether or not a claim for particular average attains the franchise, no account of anything but the actual physical damage is taken. Expenses for survey, etc., are at the charge of the assured. If it is found that the actual material damage exceeds the stipulated franchise (three or five or whatever per cent is named in the F. P. A. clause), there being evidently a

liability on the part of the underwriter, then the latter allows to the assured the survey fees and other expenses (except in his own office) incurred in making up the claim, because essential to it and therefore a part of it. In the case of insurance of goods in series, if it is found that there is a claim on only certain series of damaged goods and not on other series, "then the proportion of the costs attaching to the goods whose damage does not attain the franchise, falls to the assured's burden, not being recoverable by him from his underwriter."

### TEST QUESTIONS

1. Who insures goods while transported on a railroad? On a vessel?
- 2 Explain why insurance practice differs on rail-and-water transportation
- 3 Explain the operation of Lloyd's insurance.
- 4 What was the effect of the Civil War upon American marine insurance?
- 5 What risks may be covered by marine insurance today?
- 6 Approximately, what are the rates on marine insurance?
- 7 Who pays the cost of insurance, the importer or the exporter?
- 8 What items should be included in marine insurance?
9. What is meant by value policies, open policies, and floating policies?
- 10 Distinguish between interest policies and wager policies
- 11 What is the significance of the phrase "at and from" in a marine insurance policy?
- 12 What is the American practice with respect to double or multiple insurance? The French?
- 13 Explain the meaning of general average in a marine insurance policy
- 14 What is meant by particular average?
- 15 Explain what is meant by the memorandum in a marine insurance policy
- 16 Explain how insurance claims are adjusted under marine policies.

## CHAPTER XI

### MARITIME POLICY OF THE UNITED STATES

#### 1. HISTORY

Equal in importance to any of the other economic problems that confront the people of this country is that of building up an American merchant marine. For almost half a century this great question has been prominently before the people of the United States. Causes for the decline of our once great shipping industry as well as measures proposed for its restoration to a foremost rank among the shipping nations of the world must by this time be widely familiar to our people. Efforts which have been made to assist the development of our shipping (for the most part undoubtedly honest and inspired by the highest intentions) have one and all proved dismal failures. Beyond any question, whatever prominence our marine can boast at present has been acquired in spite of, rather than by the help of, legislation.

In reviewing briefly this serious and complex subject, we should by no means forget that our sea borne traffic today is far from unimportant. In total tonnage the merchant marine of the United States ranks second among the nations of the world. According to the report of the United States Commissioner of Navigation for

1913, the tonnage of the chief maritime nations is as follows:

Great Britain	.. . . .	19,541,206
United States		7,886,527
Germany . .	. . . . .	4,593,095
Norway .....	. . . . .	2,286,037
France ....	. . . . .	2,088,065
Japan, Russia, Italy, Holland, and Sweden each have more than . . . . .		1,000,000

In the United States the tonnage on the Great Lakes and on the rivers equals 3,095,904. This leaves an ocean tonnage of 4,780,623, which is larger than the entire tonnage of Germany. These figures create an entirely different impression of the American merchant marine from the current one. It is true that a large part of this ocean tonnage is engaged in coastwise traffic. The portion actually engaged in the foreign trade amounts to less than 1,000,000 tons, in the trans-Atlantic and trans-Pacific trade it amounts to practically nothing. It is the comparative rarity of the stars and stripes on the high seas that is chiefly responsible for the impassioned eloquence of many speakers and writers on this subject.

Instead, therefore, of acknowledging humiliation over the status of our merchant marine, we have distinct cause for a certain pride and a very real and important foundation on which to build. Add our position as a naval power and the acknowledged quality of the fighting machines we launch from Government and private yards, and we have an inspiring incentive to our ambition to secure a merchant fleet equal to our commercial and political needs, for we are today the second largest exporting nation in the world. To carry our goods more largely in our own ships would add to our commercial prestige

as well as our prestige in international relations. We should have vessels of our own as a naval auxiliary in case of war; we ought to be more independent of foreign carriers for our freights when scores or hundreds of them are chartered or drafted by other nations when at war among themselves, or interned or blockaded in home or neutral ports.<sup>1</sup>

A knowledge both of the history of our marine and of the theories and measures of American statesmen who have concerned themselves with its regeneration is necessary to a thorough understanding of the problems involved in building up our foreign shipping. Obviously, thorough or adequate discussion of so complicated a problem cannot be condensed within the limits of a single chapter. In order to gain an intelligent idea of the situation and of the several policies that are advocated, a study of our history on the sea is urged.<sup>2</sup>

As will be recognized by all who take the trouble to investigate this subject even superficially, efforts to improve our position on the high seas have not been lacking, yet have signally failed to accomplish their purpose. Shipping men frequently attribute this failure, in part at least, to the constant coupling of laws embodying desirable requirements with restrictions nullifying the advantages offered, or to the passage of other and unconnected acts imposing new or different burdens on the man who wishes to put a ship to sea under the American flag.

## 2. DEVELOPMENT AND PROSPERITY OF AMERICAN SHIPPING

From the very first days of the founding of the North American colonies shipbuilding was naturally one of the industries that chiefly engaged the attention of the colonists. At the time of the breaking out of the American Revolution and for a long time afterwards more of the people in New England were actually engaged in shipbuilding and ship sailing than in agriculture, even in spite of the restrictions imposed on the building of ships in the English colonies. The statement is made that at one time during this period Massachusetts was estimated to have one vessel for every hundred of its

Dunmore, Walter T., *Ship Subsidies*. An advocate of discriminating duties, he recognizes certain vital weaknesses in the plan.

Bacon, Edwin M., *Manual of Navigation Laws*, and *Manual of Ship Subsidies*. Two brief unvarnished summaries of history and present conditions.

Shaler, N. S., *United States of America*, Chapter 10, on "The Maritime Industries of America," written by J. R. Soley. Mr. Soley, formerly Assistant Secretary of the Navy, reviews the history of American shipping and the various policies undertaken or advocated for its upbuilding.

Innumerable speeches reprinted from the Congressional Record.

inhabitants One out of every four signers of the Declaration of Independence was a shipowner or had been a ship captain. In 1789, when the Constitution was adopted, the registered tonnage of the United States engaged in foreign trade was 123,893. During the next succeeding eight years it increased 384 per cent. During the following ten years it increased 42 per cent, 848,307 tons having been registered in 1807.

Thereafter, there was no increase, but rather periods of decrease and of partial recovery, so that in 1837 the American registered tonnage was actually a little less than that of thirty years previous. After 1837 the increase was again rapid, culminating at the outbreak of the Civil War with two and a half million tons in the foreign trade, and 5,539,813 tons in foreign and domestic trade and in the fisheries. The tonnage of Great Britain and her dependencies at this time was 5,895,369 and that of all other nations combined was only 5,800,767. Thus, it will be seen that the tonnage of the United States was nearly one-third of the entire shipping tonnage of the world. It was more than 50 per cent in excess of that which would have been required to carry all the exports and imports of the country.<sup>3</sup>

The explanation offered for the supremacy of the American vessels during this period is that we built ships of better model and greater speed. The costs of materials entering into the ships' construction were, with the exception of wood, considerably more in the United States than in some other countries, and the wages of seamen were higher. It was affirmed, also, that the efficiency of the American sailor was such that fewer men were required to man American vessels and that we

<sup>3</sup> Wells, David A., *The Merchant Marine*

were also in advance of the rest of the world in introducing labor-saving mechanisms on board of ships to take the place of manual labor. It is said that as a general rule American ships could make four voyages while English ships were making three and that American ship-owners frequently obtained better prices for their freight—one-sixteenth of a penny more per pound, for example, on cotton. These facts are more or less acknowledged by Lindsay, the historian of British shipping.

### 3. DECLINE OF AMERICAN SHIPPING

But the times were changing. The advent of the steamer, several years before, encouraged the efforts of British shipowners to compete on the ocean with the vessels which they were better able to supply with boilers and engines than their United States competitors. Besides that, Great Britain was in urgent need of the swiftest and best means of communication with many scattered and far distant colonies. The British Government, therefore, readily aided Samuel Cunard, as it did other owners, granting him a subsidy of \$425,000 a year to carry the mails back and forth between Liverpool, Halifax, and Boston, with an occasional visit to Quebec. The Cunard service began in 1840 with four wooden sidewheel steamers.<sup>4</sup>

In 1845 our Congress determined to secure for American shipowners a part of the steamship-carrying trade and awarded \$200,000 a year to the Ocean Steamship Company to establish a service between New York, Havre, and Bremen. Two large steamers were built—

<sup>4</sup> Lindsay, *History of Merchant Shipping*



sidewheelers—about the equal of the Cunard boats in service at that time. The line operated irregularly and none too satisfactorily. Then, in 1847 a contract was made on the basis of certain ocean mail legislation with E. K. Collins, who had been running the famous Dramatic Line of sailing vessels. A mail subsidy of \$385,000 a year was offered for American ships of at least 2,000 tons for twenty round trips per year. The ships that Mr Collins built were far larger and better than any of the Cunard boats. Besides building larger vessels than were called for by the terms of his contract, Mr. Collins installed higher-power engines, so that when his four new ships were ready for the sea it was found that each had cost \$100,000 more than the best of the Cunard boats. The American steamers beat the Cunard time by about a day and a half. These ships, with their high speed and what, at that time, were regarded as luxurious fittings (even electric bells and mirrors in the staterooms!), began to attract the best of the passenger traffic away from the Cunarders. It was later said in appeals to Congress that “to effect a saving of a day and a half in the run between New York and Liverpool costs the company nearly a million dollars annually.”

Meanwhile, the English line, with its twelve years' experience (for the first Collins boat did not sail until 1850), taking advantage of the cheaper coal, iron, and labor in Great Britain, began an active war of freight rates, which speedily fell from £7, 10 shillings per ton to £4 per ton. Then Mr. Cunard used the “American scare” to induce Parliament to raise his subsidy in the hope of smothering American competition. The severe conditions of its mail contract made it impossible for the

Collins line, with the quick sailings and short stay in port of its mail steamers, to secure or carry much cargo.<sup>5</sup>

Although the subsidy to the Collins line was increased in 1852 to \$33,000 per voyage for twenty-six trips a year, the struggle between the lines quickly became one for life or death. The superior speed and equipment at first gave the American boats the greater part of the passenger business, but the English ships got most of the freight, which was then the profitable side of the business.

Although economic conditions of the times, as we now look back on them, made it doubtful whether the Americans could compete successfully with the English in steam navigation, the actual failure of the Collins line is often attributed to the loss of two of that line's best ships. On top of this Congress reduced the subsidy, abrogating it altogether in 1858, and the Collins line disappeared from the seas. It had never declared a dividend. Although it "might have survived the loss of its two ships just as contemporary British companies survived even worse disasters, it could not and did not survive the loss of its ships and the greater part of its subsidy at the same time."

The fine ships were seized by the mortgagees and sold; at the same time the steamships of the Bremen line were withdrawn and dismantled; and the line to Havre, running a little longer, also soon disappeared. The cost to the government of its first venture in steamship subsidies, covering thirteen years between 1845 and 1858, is figured by Dr. Meeker at approximately fourteen and a half million dollars.<sup>6</sup>

<sup>5</sup> Meeker, *History of Shipping Subsidies*

<sup>6</sup> D. K. Collins & Co, when they failed, were receiving from the United States Government a total of \$858,000 a year for 26 trips. The Cunard

The outbreak of the Civil War marks the beginning of the decline of the American merchant marine. Nearly all of our merchantmen were owned in the North and were therefore the lawful prey of Confederate cruisers and privateers. The Southern Government was quick to see its opportunity, and by armed vessels, fitted out in Southern ports and afterwards in England through the complaisance of that Government, fearful depredations were made on the commerce of the nation. In the four years of the war 1,150,000 tons of shipping were lost to our merchant marine.<sup>7</sup> From this loss our shipping never again recovered

The effect of the Civil War upon our merchant marine was disastrous, because the shock came at a critical epoch in the evolution of shipping interests. It marked the transition from sail to steam and from wood to iron. These changes favored the English ship builders, because they could manufacture ships cheaper than could the American yards. Another factor to consider is that just at this time a great impulse was given to the development of inland industries and communication in the United States. American capital found a profitable outlet in the interior. These economic and business tendencies, which are largely accountable for the decline in our merchant marine, in reality antedate the war. The subsidy experiments after the war were powerless to stay the downward tendency.

Company was that year (1858) receiving as subsidy from the British Government £173,340 (\$843,000) for 44 trips a year. The heavy subsidy to the Cunard Company did not discourage British competition. Beginning in 1850, Mr. Inman successfully operated his line for years without a subsidy and without any mail payments.

<sup>7</sup> Johnson, *Ocean and Inland Water Transportation*

## 4. SHIPPING DEVELOPMENTS AFTER THE CIVIL WAR

Since the Civil War, the American merchant marine has had a steady growth in domestic commerce, but has fallen to practically nothing in foreign commerce. Attempts have been made at various times, both by private interests and by the Government, to stimulate the development of a foreign merchant marine. From 1864 to 1891 the Government pursued a vacillating and haphazard policy, attempting at various times to stimulate the development of the merchant marine, but never following a consistent and far-reaching plan. It seems that whatever aid was given during these years was rather in the nature of special favors to those interests who were able to persuade Congress to contribute to the development of their lines. In 1864 subsidies were granted to a Brazilian line and later to the Pacific Mail Steamship Company. The later efforts of this latter company to increase its subsidies and the political scandals that grew out of these efforts, caused the Government to abrogate all subsidies to the lines. Little more was done by the Government until the passage of the Ocean Mail Act in 1891. Several steamship companies attempted to establish lines in various directions during these years, but most of the plans were soon abandoned and no substantial gain to an American merchant marine was made.

## 5. OCEAN MAIL ACT OF 1891

In 1891 the Government attempted to encourage the establishment of American lines by the passage of the Ocean Mail Act. The immediate occasion for the passage of this act was the plea of the International Navigation

Company for mail subsidies on the vessels of the Inman line. This company had recently purchased these vessels from British interests, whereupon the British subsidies were discontinued. At the time of the passage of the act, the International Navigation Company had under construction in British yards two costly passenger steamers—the City of New York and the City of Paris. Under the terms of the Act of 1891, these vessels would not be eligible for the subsidy. A sufficiently moving appeal was made to Congress which, in 1892, gave the company the privilege of admitting the City of Paris and the City of New York to American registry. This concession made them eligible for mail pay from our Government on the condition that two similar ships be built by the company in American waters. Accordingly, the St. Paul and the St. Louis were ordered, and in 1895 took their place among the best vessels of their day. These two vessels secured under a special act seemed to have been the net result of the addition to our merchant marine by the Act of 1891.<sup>s</sup>

<sup>s</sup> The provisions of the Ocean Mail Act of 1891 may thus be summarized. The American mail-carrying steamships were divided into four classes. The first class was to include steamships of a speed of 20 knots per hour and a gross registered tonnage of not less than 3,000. Vessels of this class only were eligible to carrying the mails between the United States and Great Britain. A second class was to consist of iron or steel steamships of a speed of 16 knots per hour and a gross registered tonnage of at least 5,000. This class was intended for service to South America, China, and Japan. A third class was to include iron or steel steamships of a speed of 14 knots and gross registered tonnage of at least 2,500. The fourth class was to be made up of iron, steel, or wooden steamships of a speed of 12 knots and gross registered tonnage of not less than 1,500. For ships of the first class the mail pay was set at \$4.00 for every mile traversed on the outward voyage, ships of the second class were to receive \$2.00 a mile, ships of the third class \$1.00, and ships of the fourth class 66⅔ cents. A certain proportion of the crews of the ships should be American—one-quarter during the first two years, one-third during the next three years, and at least one-half during the remainder of any mail contract.

The Ocean Mail Act of 1891 was supplemented in an important particular by the Panama Canal Act of August 24, 1912. This act provided for the general admission to American register of foreign-built vessels, less than five years old, and that such vessels might contract with the Postmaster-General under the Act of 1891 "so long as such vessels shall in all respects comply with the provisions and requirements" of that act. The Panama Canal Act eliminated the difference in cost of building steamships in the United States and in Great Britain, and to that extent offered certain assistance to our shipping interests, although relative costs of operation were not thereby changed.

On August 18, 1914, President Wilson signed a bill amending the section of the Panama Canal Act in question by removing the limitations as to age (five years) and permitting foreign-built vessels, no matter when built, to obtain American registry if owned by American firms or corporations, thus finally accomplishing the free-ship policy which for so many years was the *bête noire* of many Americans influential in shaping our merchant marine legislation.

## 6. SHIPBUILDING IN THE UNITED STATES

Shipbuilding and the operation of ocean steamships are to a large extent interdependable, if not inseparable, industries. While it is true that American shipbuilding cannot develop largely except as our merchant marine develops, yet a certain amount of prosperity is guaranteed by the requirements of our Navy and by the growing importance of our coastwise and Great Lakes service. Many of the vessels built for the Great Lakes service are

adapted for tramp services upon the seas, but it must be admitted that the American shipbuilding industry does not compare in size with that of Great Britain, Germany, or France.

Why cannot American shipyards build as cheaply as yards on the Clyde or the Tyne or the Severn? This is a common question. That ships can be built more cheaply in British and German yards is a well-established fact. Estimates of the cost of American-built ships have ranged all the way from 15 to 40 per cent over costs of similar foreign-built vessels<sup>o</sup>. A number of explanations are offered, but the chief reasons undoubtedly are (1) Until recently at least, the usually higher cost of steel plates in the United States; (2) higher labor costs in American shipyards, although it is claimed that the efficiency of American workmen in shipyards, as in so many of our manufacturing industries, offsets the difference in wages to a large extent, and (3), certainly most important of all, the fact that in British yards, particularly, the work of shipbuilding has become standardized, with an annual production in recent years of from 1,000,000 to 2,000,000 tons of shipping, whereas in American yards it has, up to a few years ago, been rare that even half of our existing facilities have been engaged in actual work either for the merchant marine or on war vessels for our own or foreign navies.

One of our prominent shipbuilders, a former naval officer and a well-known advocate of subsidies, has declared. "It is absolutely impossible to practice econ-

<sup>o</sup> See report of the Merchant Marine Commission with testimony taken at the hearings, Washington, 1905. A little testimony bearing on the same question is also to be found in the Proceedings of the Committee on Merchant Marine and Fisheries in the investigation of shipping combinations, 1913.

omies under our circumstances and build the ships so that they would compare favorably in costs with ships built abroad."

Far ahead of all the world as we Americans are in our standardized, systematized factories, the British have hitherto actually beaten us at our own game in the shipyard. No American manufacturer needs explanation of the advantages gained.

American shipbuilders have naturally been found ranged with the ardent supporters of subsidies or other subventions or government assistance to shipbuilding, and also of such assistance to shipping itself. Their only hope of getting work in considerable volume is to be found in bringing about a condition whereby vessels must be built in American yards in order to obtain American registry. Although the Government has made shipbuilding a very highly protected industry, the political temper of the country has never been such that shipbuilding bounties could be seriously considered. Such bounties to shipbuilders are actually given in France, Italy, Spain, and a few other countries. It has lately happened that the French shipbuilders have been able to underbid the English shipbuilders, because of the bounty, which is said to have amounted to more than \$150,000 on some ships.

#### 7. GOVERNMENTAL ASSISTANCE TO A MERCHANT MARINE

Almost all countries offer some sort of assistance to their principal navigation companies or to their shipyards. This assistance may take one or more of the following forms:

1. A bounty to shipbuilders, like that of France, just referred to.



2. A navigation bounty, or subsidy, as it is usually called

3. Special grants for definite services to be performed, either in the form of postal subsidies or naval subventions.

4. The policy of taxing their own vessels at a lower rate than the imposts on foreign vessels entering their ports.

5. Remitting some of the charges incurred in foreign services, such as the Suez Canal tolls

6. Materials admitted free of duty or at reduced duties.

7. Special rail rates given from points where materials are manufactured to the port where the ship is to be launched

The general, straight, out-and-out subsidy applying to all vessels of a country is rare. The special subvention for definite services to be rendered is common. We have it to some extent in the United States in the way of mail pay offered to certain lines, as has already been pointed out. It will be interesting to summarize the present practices of foreign countries

Great Britain grants mail subsidies and admiralty subventions and her colonies steamship subsidies, France, mail subsidies, construction and navigation bounties, and fishery bounties, Germany, mail subsidies, steamship subsidies, preferential rates on the state railroads for shipbuilding materials, Belgium, premiums to certain steamship lines, pilotage refunds, Austria-Hungary, mail subsidies, construction and navigation bounties, Suez Canal refunds, Hungary, bounties to Hungarian ships; Italy, mail subsidies, construction and navigation bounties, Spain, mail subsidies, construction and navigation bounties, Portugal, mail subventions to steamship companies, Denmark, trade subsidies, exemptions from harbor dues, Sweden, state contributions, loans to steamship companies, Norway, state contributions, trade sub-

sidies, Russia, mail subsidies, mileage subsidies, government loans, steamship subsidies, Suez Canal refunds, Japan, state aid to steamship companies, mail subsidies, construction and navigation bounties, fisheries bounties, China, state aid to steamship companies, subsidies to shipyards, South America—Brazil and Argentina, subsidies to foreign steamship companies, United States, mail subsidies to seven steamship lines<sup>10</sup> In amendment to the foregoing (from a 1911 authority), to bring conditions down to date, it may be observed that in the debates in Congress apropos of the Panama Canal tolls, the statement was made that Spain also refunds Suez Canal tolls

The United States has for some time admitted certain shipbuilding materials free of import duties, and by the tariff act of 1913, usually referred to as the Underwood Bill, a preferential discount of five per cent is offered on all goods brought into the United States in ships flying the American flag. However, since the same preferential applies to ships of all nations with which the United States has a treaty insuring equal treatment, and since the flags of such nations are flown by practically the whole list of steamships that bring cargo to the United States, the Attorney-General has ruled "that the five per cent discount to American vessels only, which was the primary object of the sub-section in question, cannot be given without impairing the stipulations of existing treaties between the United States and various other powers, and that consequently the sub-section, by the expressed terms of the proviso, is inoperative"

Yet, in a case brought up by New York importers a decision was handed down by a district court upholding the five per cent preferential as legal and collectible. Undoubtedly, a decision of the Supreme Court of the United States will be required to establish the final status of this provision of the Underwood Bill.

<sup>10</sup> Bacon, Edwin M., *Manual of Ship Subsidies*

## 8. SHIP SUBSIDIES

Among the Governmental aids that are given to the shipping industry, the subsidy question will immediately be recognized as that which has been most prominently before the public for two generations or more. Subsidies have not been altogether unknown in our history, and, like many other well-meaning measures, have proved flat failures. The common explanation of such failures is a wholesale condemnation of our navigation laws, often by people who seem to have been very much in the dark as to just what the navigation laws were. The general misunderstanding in this respect is perhaps only equaled by the fatuous arguments advanced with irritating frequency on behalf of subsidies in this country. In view of these facts, a brief summary of the arguments in favor of subsidies will seem timely in this discussion.

The arguments usually advanced in favor of ship subsidies may be divided into three classes—theoretical, popular, and political. The distinction between these classes is not always clear cut, but we may preserve it for the value that it possesses.

The theoretical arguments in favor of ship subsidies usually take up the question of protection to home industries and the effect of subsidies upon shipping competition. Subsidies are usually assumed to be similar to a protective tariff. Inasmuch as both of them are intended to aid home industries, there is a likeness. So far as prices of goods or services are concerned, the analogy breaks down. Under a protective tariff the home consumer must usually pay for the protection in the form of a higher price for his goods and is often inconvenienced by restriction of output. Shipping subsidies, however,

cannot increase the rates of transportation over the sea and they may conceivably even lower the rates. Immediate effects of a subsidy, therefore, differ from protection to national industries

However, the economic arguments against artificial stimulation of industry will probably be the same against Governmental support of the shipping industry as in Governmental aid to domestic production. Experience will hardly warrant the conclusion that this artificial stimulus to the shipping industry will result in greater competition among the shippers and that, therefore, rates will be reduced. Our own experience with competition among railroads casts serious doubt upon such a proposition. Perhaps, also, enough actual illustrations might be given to show that frequently an artificially supported industry is not managed in as efficient a manner as one which exists only by reason of being able to meet all competition.

A further objection to these points is made by the opponent of ship subsidies. Fear is expressed that subsidy payments once begun as a temporary policy may become permanent, and at least a portion of the bounty may be absorbed by a shipping or navigation monopoly. Adam Smith long ago pointed out in his *Wealth of Nations* that under the tonnage bounty of the White Herring Fishery, it was too common for vessels to fit out for the sole purpose of catching, not the fish, but the bounty. Even today it is charged that the French shipping lines sometimes choose the longest routes because of the mileage bounties paid by that government.

Among the popular arguments in favor of the ship subsidy, two may be mentioned: (1) That trade follows the flag, and (2) that America should save the freight on its foreign commerce.

As to the first argument, there can be no doubt about the question that a flag floating in all the harbors of the world makes good advertising for an industrial country and may thereby stimulate foreign trade. On the other hand, it must not be forgotten that business interests are often much more compelling than patriotic sentiments and that business turns in the direction which is most profitable.

Numerous illustrations might be given where a German or an English merchantman has disregarded patriotic conditions and hauled foreign goods instead of the goods of its own country, when it was more profitable for it to do so. Only in case of a great emergency, such as might be occasioned by war, does the lack of a merchant marine seriously handicap the foreign trade of the United States.

The other popular argument, likewise, has an element of truth in it, but it is usually stretched to an unreasonable extent. In popular discussions it is declared that we lose hundreds of millions of dollars annually paid to foreign ship owners for transporting our goods into and out of the country. There seems to be no understanding of the commercial principle that the buyer and not the seller pays the freight. These arguments would have us deduct the cost of freight from our imports and add the cost of freight to our exports, which is, of course, contrary to experience.<sup>11</sup> We should, furthermore, note that our exports, upon which the foreigner pays the freight, very considerably exceed our imports.

Furthermore, we should remember that there are many millions of dollars invested by Americans in foreign ship-

<sup>11</sup> Meeker, *History of Shipping Subsidies*.

ping lines at the present time. Statistics recently compiled by the New York weekly, *Shipping Illustrated*, show that vessels of about 1,000,000 tons gross register, flying foreign flags are owned by American interests. Consequently, a large part of the income from these lines goes directly into the pockets of Americans. It will be seen, therefore, that the popular arguments in favor of this special aid to our shipping industry are not as strong as the tenacity with which they have been held might indicate

The political arguments in favor of ship subsidies are usually three: (1) To establish direct postal communication with all parts of the earth, (2) to provide transports or cruisers in time of war, and (3) to supply ships for the training of seamen to be available in case of war.

The desirability of good postal communications with all parts of the world, under our own control, cannot be denied. Uninterrupted systems of communication are absolutely essential to facilitate business transactions.

Opinion is divided as to the value of merchantmen so built that they can be used in time of war as cruisers and auxiliaries. According to some opinions, such vessels make neither good merchant vessels in time of peace nor good cruisers in time of war. It is generally admitted that they cannot compete commercially with vessels not designed for this purpose and that if the government of any state wishes to encourage the construction of such vessels, it must aid them with a substantial subsidy. In such a case the expense must be looked upon as one of the costs of militarism and not as a special favor to shipping industries.

The British Board of Admiralty reported against admiralty subventions in 1902 and recommended that

these payments be discontinued. Recently, however, it would seem that Great Britain has resorted anew to the policy of granting them. Germany has used them quite freely. When the nature of these expenditures as an item of public defense is taken into consideration, they can hardly be looked upon as subsidies, unless the subvention should be larger than that required by the handicap imposed upon these vessels under the conditions of the contract.

That an American merchant marine should be encouraged for the purpose of providing training ships for men who in an emergency may be available for the Navy seems patriotic but hardly practical when all economic conditions are taken into consideration. The fact of the matter is that we cannot build up a permanent, prosperous American merchant marine upon any other basis than commercial profits.

## 9 SHIPPING POLICY OF THE UNITED STATES

We have reviewed various aspects of the ship subsidy question and have seen that today the United States is paying subsidies in the guise of mail contracts. These subsidies have not, however, succeeded in rehabilitating the American merchant marine. There are other factors in our legislation which must be considered in connection with the entire policy of the Government. Tonnage taxes imposed by the United States are usually the same on American as on foreign ships. Most of the individual States favor vessels engaged in the foreign trade either with exemption from taxation or with very light taxes. Exemptions from certain charges, such as the practices of some nations of refunding Suez Canal dues, are not granted in the United States.

The exemption from Panama Canal tolls was repealed for various economic and political reasons before it could be put into actual operation. The United States now admits shipbuilding materials free of duty. By the provisions of the Panama Canal Act of 1912, as amended August 18, 1914, any foreign-built vessel may be admitted to American registry. The preferential clause in the Underwood Tariff Bill is contrary to our treaty obligations to other nations and may, for this reason, have to be abandoned.

It will be seen, therefore, that while the United States has not liberally supported its merchant marine, at the same time it has enacted laws which it was hoped would encourage the development of deep-sea shipping under the American flag. None of the measures has attained the desired results. Even that much dreaded "free ship" law as enacted in 1912 did not add a single vessel of foreign build to the American merchant marine. The truth of the matter seems to be that for every step forward there has been a slip backward of almost or quite the same proportions. For example, the Panama Canal Act of 1912, admitting foreign-built ships to American registry, providing such ships were less than five years old, required that all watch officers on such vessels must be American citizens. On this account alone the Commissioner of Navigation, in his annual report for 1912, expressed no surprise that advantage had not been taken of this measure.

The Act of August, 1914, amending the Panama Canal Act, extended permission to adopt American registry to foreign-built vessels irrespective of age and modified the provision regarding officers by permitting the President, at his discretion, to suspend the operation of that clause



and allow owners of such ships acquiring American registers to continue the employment of officers of any nationality whatsoever for a period of seven years under certain conditions. President Wilson hesitated for two weeks to exercise the power granted him, apparently guided by advisers who informed him that plenty of capable American officers were to be had. However, the position of American owners of ships sailing under foreign flags was that advantages offered by American registers were by no means sufficient to counterbalance the disadvantages of throwing out of employment old and trusted officers of sundry nationalities, and until the President exercised the power granted him, shipowners declined to apply for American registers.

#### 10 THE NAVIGATION LAWS

The basic trouble with our whole merchant marine policy unquestionably lies in our navigation laws. With the letting down of the bars to all sorts of foreign-built ships by the Act of 1914, it was hoped to attract to the American flag a large fleet already owned by Americans but flying other flags, and, in addition, to stimulate the formation of new companies to acquire some of the great German boats laid up in New York and other harbors on account of the European war, putting them under the American flag. The latter course became impossible or inadvisable, owing to the attitude toward such sales or transfers adopted by Great Britain and France. The deliberation manifested by previously established American shipowners was explained by practical shipping people as solely due to handicaps in many sections of our navigation laws, still unrevised, and the possibly temporary character of the Executive Order suspending the require-

ment for American citizenship on the part of officers who must be employed. Nine months after the passage of the act in question about 150 vessels of all descriptions, both steam and sail, and of all sizes, had changed to the American flag as invited by the terms of the act. Some ship-owners insist that advantages accruing from American registry are by no means sufficient to offset the heavily increased cost of running their boats under the American flag as contrasted with expenses under other flags. It must not be forgotten that the ships taking advantage of the opportunity of mid-summer, 1914, to obtain American registers need not remain American a day longer than they wish. It will be possible and easy for them to change flags again unless they are satisfied that our laws will be put in permanently satisfactory form.

Among the principal objections still made by ship-owners to the American navigation laws, we may note that under the American system of measurement cargo vessels are registered as from twenty-five to thirty per cent larger than the same vessels would register under the rules of other countries. Since various fees and taxes are charged on the basis of tonnage, for example, tonnage tax, dry docking, wharfage, pilotage, and other dues, vessels of American register would have to pay from twenty-five to thirty per cent more in all these items, while no corresponding benefits are derived from the United States Government. The President's Order of September 7, 1914, suspended for two years existing requirements as to measurement by American officials of vessels seeking American registers. More thorough and permanent legislation is necessary.

The cost of additional seamen required by American navigation laws and not required by laws of other nations

amounts to a serious item on all laws contemplating a change of registry. In general, existing American regulations as to survey, inspections, and times and places for measurements are considered highly obnoxious by ship-owners. Rear Admiral Goodrich, in the August, 1914, issue of *Navy*, points out that American ships are taxed on the investment, while British ships are taxed on their profits, American ships must pay consular fees every time they enter a foreign port, while British ships pay such fees once a year only. He objects, also, to certain restrictions regarding employment and discharge of seamen relating to fees and fines.

These are some of the handicaps under which ships flying the American flag must compete with the ships of other nations. It is evident that the real handicap of American shipping is not that the United States has not been liberal with subsidies, but that it has put artificial barriers across the path of progress. The fact that such great American corporations as the United States Steel Corporation, the Standard Oil Company, the American Tobacco Company, the American Molasses Company, United Fruit Company, and others have operated all or nearly all of their steamships under the flags of other nations, is but another proof of this statement. Facts speak louder than words.

American capital and enterprise seem ready and willing to engage in foreign shipping, if the remuneration is approximately the same as they can secure in other industries, with no greater hazards. There can be no doubt as to the willingness of American owners to put their vessels under the American flag if they can operate them under that flag as cheaply as under other flags. Sacrifices that might be made for patriotic reasons must, of course,

come out of profits; they cannot be made for patriotic reasons alone until there are profits

In any serious study of this very complicated problem, it must not be forgotten that less than one-tenth part of the ocean-going vessels of today are subject to subsidy support. The great bulk of the shipping trade of the world is composed of cargo vessels—tramps—none of which are ever subsidized by any nation; while, of course, by no means all of the established passenger and freight lines receive subsidies.

The fact of the matter certainly is that no ordinary subvention, reasonable in its scope, will in itself create a great American merchant marine. It has never done anything of the sort in any other country of the world. If subsidies are to be utilized at all, they might be applied to assisting in the establishment of fast-mail services, or to encourage the construction of merchant vessels on special lines, making them easily convertible to naval purposes. But these are purely political considerations, which must be considered independently of the commercial factors in the problem. As political features, we ought frankly to face the problem under the head of military measures. The encouragement of a merchant marine depends primarily on the enactment of navigation laws which will make it possible for American vessels to compete on terms of equality with the similar vessels of other nations.

In an effort to better this situation Congress in 1916 created a shipping board consisting of five members, authorized to secure ships by purchase, lease, etc., and to dispose of these ships in certain prescribed ways. The board also has authority in regulating water carriers along the general lines of the authority of the Interstate

Commerce Commission, except that particular stress is laid upon the removal of discriminatory practices rather than upon rate regulation. It should be noted that provision is made that the new board is not to assume authority over water carriers which is now delegated to the Interstate Commerce Commission. The law creating the shipping board and defining its authority will be found reproduced in Appendix A.

### TEST QUESTIONS

- 1 How does the tonnage of the United States rank with the chief maritime nations today?
- 2 How is the American tonnage distributed?
- 3 Account for the prosperity of the American merchant marine down to the Civil War
- 4 What economic factors tended to check American ship-building in the middle of the nineteenth century?
- 5 What effect did the Civil War have upon the American merchant marine?
- 6 Explain the subsidy policies of the United States and England in the middle of the nineteenth century
7. Why did the American subsidies fail to maintain our merchant marine?
- 8 What experiences has the United States had with subsidies since the Civil War?
- 9 Explain the terms of the Ocean Mail Act of 1891 What important amendments have been added to this law?
10. What different governmental policies have been used to assist a merchant marine?
- 11 What are the chief arguments for ship subsidies? Against ship subsidies?
- 12 Explain the effect of the navigation laws of the United States upon its merchant marine.
13. What are the chief objections to the navigation laws? How have the laws been modified recently?

## CHAPTER XII

### THE FINANCES OF SHIPPING COMPANIES

It is, no doubt, the popular notion that the business of shipping is an assuredly profitable one. But the shipping business is by no means always or continuously profitable. It is true, as is so often remarked, that the ocean is free and that he who wishes may charter, buy, or build ships, even though he has only limited capital. Yet, none the less, a high degree of experience and trade knowledge is necessary. Moreover, for success, unlimited financial backing is essential.

The ocean is, indeed, trackless in more than the figurative sense. Although it is unnecessary in planning a shipping route by water to buy expensive rights of way or to invest heavily in rails or road construction, and although the road costs nothing for maintenance, yet the shipping business is subject to vicissitudes unknown in other forms of transportation and to peculiar conditions not encountered elsewhere. To sentiment and to patriotic aspirations are to be ascribed one or two recent attempts to establish certain steamship lines under the American flag, or at least under American control and management. The disastrous outcome of some of these experiments is attributable partly to ignorance and inexperience in the highly technical details of shipping business, partly (it would seem) to quixotic ideas and methods of business, and partly to insufficient financial resources. There is no more a royal road to success in the shipping than in any other business.

The uncertainty of a shipping company's revenues and the relatively small returns on the capital invested compared with profits otherwise obtainable in this country have probably been responsible for the reluctance manifested by American capital during the past half century or more to engage seriously in this form of business. The popular idea of the profitable nature of this business has, perhaps, been confirmed, to some extent, by the undoubted prosperity of certain old trans-Atlantic lines. These lines, owing to their fame as passenger carriers, are the ones best known to the average citizen by name only. They are, however, by no means the principal element in sea-borne traffic, constituting only a small fraction of that traffic. Furthermore, many of these lines have very recently seen dark and gloomy years, serious losses, and untold anxiety on the part of management and shareholders.

### 1. AN ERA OF SMALL PROFITS

The United States Commissioner of Navigation, in his report for 1902, declared that in the previous year (1901) out of 89 leading steamship lines 33 lines—37 per cent of the total—paid no dividends. The Boer War of 1900 called into the English army transport service many steamers of all classes. This resulted in a shortage in freight carriers for the world's commerce. Freight rates, reflecting that shortage, rose to a highly remunerative point. With the release of the vessels employed by Great Britain, freight rates immediately fell to a basis that was not only unremunerative but that involved serious losses. There ensued a surplus of tonnage, which resulted in rate wars between lines plying from the United States and

England to Australia on the one hand, and between other lines plying from both countries to South Africa on the other hand. This severe competition, as has been declared by steamship managers under oath, resulted in losses that sometimes amounted to from \$5,000 to \$10,000 per steamer voyage.

In March, 1905, a British shipowner stated that "the average British sailing ships of over three thousand tons (dead weight) have lost about £1,000 each per annum during the last three years and that smaller vessels have fared almost as badly."<sup>1</sup>

One of the prominent English shipping trade papers published in January, 1913, an elaborate résumé and analysis of the financial history of cargo boats for nine years past. Its conclusion showed that while dividends in 1912, a year of remarkable prosperity, averaged nearly seven per cent, the grand average for nine years was only three and three-quarters per cent. Moreover, the amounts written off by the companies for depreciation, which conservatively ought to be at the rate of five per cent, actually averaged but little more than half as much, although the life of steamers in some trades cannot nowadays be calculated conservatively at over twenty years.

The statistical representation of cargo-boat finances for the years 1904 to 1912 given in Figure 51 supports the contention made with regard to the actual income of such vessels.<sup>2</sup>

<sup>1</sup> Quoted by Dr J Russell Smith in *The Ocean Carrier*.

<sup>2</sup> *Fair Play*, January, 1913.



Year	Paid up Capital	Debenture Loans	Book Value of Steamers	Number of Vessels	Tons (Gross)
1904	£7,594,278	£8,157,128	£10,753,752	393	1,134,358
1905	8,577,424	8,776,681	12,353,849	464	1,362,049
1906	8,081,800	8,669,142	12,130,285	438	1,336,823
1907	9,167,859	4,448,905	13,782,764	490	1,516,401
1908	9,622,401	4,409,343	14,338,652	533	1,695,827
1909	9,517,011	4,935,051	13,915,494	508	1,603,341
1910	9,457,650	5,548,999	14,610,877	522	1,735,335
1911	9,883,584	6,261,588	15,717,739	585	1,833,360
1912	10,559,843	6,058,067	16,477,354	561	1,931,209
Average.	9,162,361	4,701,545	13,781,196	493	1,582,079

Year	Profit on Voyages	Dividend on Capital	Per Cent	Depreciat'n Written off at 5 per cent	Depreciat'n Written off at 5 per cent
1904	£ 640,541	£277,129	3 64	£ 216,154	£ 622,154
1905	732,898	286,005	3 33	238,505	740,901
1906	979,545	327,445	4 05	348,651	731,971
1907	1,079,257	333,077	4 17	413,390	822,716
1908	1,145,387	335,165	3 48	393,696	876,170
1909	647,997	179,836	1 89	189,043	827,890
1910	842,511	217,681	2 80	290,115	864,187
1911	1,471,541	370,061	3 78	506,040	943,083
1912	2,869,516	720,558	6 82	1,463,919	1,011,028
Average	1,159,888	344,112	3 75	451,057	828,964

FIG 51—Statistics of Cargo-Boat Vessels

## 2. HIGH OCEAN FREIGHT RATES

For two years past sudden and, to some people, inexplicable advances in ocean freight rates have been put into effect. Loud protests have been evoked in consequence. In 1911 tramp steamers could be chartered on the so-called net form for about 3 shillings and 6 pence per ton per month on the dead-weight carrying capacity of the ship. These rates obtained for voyages from some United States ports to European ports. Within two years 14 shillings and 6 pence were paid. Then the rate dropped down to 9 shillings in October, 1912.<sup>3</sup> During this same

<sup>3</sup> Proceedings of the Committee on the Merchant Marine and Fisheries in the Investigation of Shipping Combinations House of Representatives, Sixty-second Congress Testimony of W G Sickel, Vice-Director in charge of traffic of the Hamburg-American Line, page 817.

two years, rates on general cargo by liners have been advanced from fifty to one hundred per cent and more.

During the first half of 1913 a Committee of the House of Representatives investigated shipping combinations, endeavoring to ascertain whether these advances have been necessitated by the law of supply and demand, or whether rates have been arbitrarily increased by agreements among the shipping companies and, if so, to what extent

However, it may be pointed out that very few of the big exporters of this country have joined in the hue and cry against the steamship companies. It is apparent that unless shipowners are able to average their meager profits during periods of depression with large profits during years of prosperity, the result surely will be such a curtailment of shipping services as will automatically bring about high rates.

The European War, which is raging as this book is going to the press, has necessarily thrown all former rates and adjustments into utter confusion. What the final outcome will be—whether rates will return to their former basis or will be entirely reconstructed—is impossible to forecast at the present time.

### 3. PROFITS AND LOSSES OF SOME WELL-KNOWN LINES

The great trans-oceanic lines, best known to the public because of their popularity as passenger carriers, have in most cases experienced fluctuations in their revenues similar to those of the freight boats. The average man is possibly misled in this regard by stories to the effect that the White Star Line declared a 30 per cent dividend this year; last year a dividend of 60 per cent, and that prior

to its absorption by the International Mercantile Marine Company it had been paying 100 per cent. Stories of the earlier history of this company are declared to be largely fictitious. So far as its present position is concerned, it should be borne in mind that the White Star Line, unlike most similar companies, sets aside little of its revenue for depreciation or for insurance purposes. It pays its dividends, not to an assorted company of shareholders, but to the holding company, the International Mercantile Marine Company, which, as a whole, provides for these items in the budgets of its subsidiaries. It has been estimated that if the 30 per cent dividend declared for 1912-1913 by the White Star Line had been computed on a basis similar to that adopted by most companies, it would have been reduced to approximately 10 per cent. Dividends declared by other well-known passenger lines during the past six or eight years range from nothing up to 15 per cent per annum.

The following extract from a table published in the special shipping number of *The Times*, of London, bearing date of December 13, 1912, recapitulates the dividends, including bonuses, of some well-known lines from 1906 to 1912, inclusive.

	1906	1907	1908	1909	1910	1911	1912
Anchor Line . . . . .	—	8	6	nil	5	7	7½
Cunard Line	5	5	nil	nil	5	7½	—
P & O Deferred . . .	13	13	13	13	13	13	15
Pacific Steam Navigation Co	6	5	4	4	5	6	—
Prince Line . . . . .	5	5	3	2½	7½	10	—
Royal Mail S P Co	nil	2½	2	3	4	5	—
Union Castle . . . . .	—	—	5	5	6	—	—

From various issues of the *New York Journal of Commerce* during the first six months of 1913, it appears that annual dividends have, since the above date, been de-

clared as follows: Anchor Line, 12½%; Royal Mail Steam Packet Co., 6%; Cie. Générale Trans Atlantique, 5%; Hamburg-American Line, 10% (dividend last year in the case of this line was 9%).

It seems clear enough, then, that the shipping business is not invariably a gold mine for even the most intrepid man of business, no matter how expert he may be in the complex problems of this form of commerce. The brighter side, as it has been especially manifested during 1911, 1912, and 1913, may be illustrated by quotations from the annual report of the American consul at Cardiff, Wales, which deals especially with the great coal shipping trade from that port to the four quarters of the globe.<sup>4</sup>

#### 4 SPECULATIVE ASPECTS OF THE SHIPPING BUSINESS

Not only do the fortunes of shipowners run the uneven course indicated, but much of their business is highly speculative. Profits depend not alone on crops, financial conditions, and commercial developments in scores of the world's markets; not alone on the supply of vessels to move cargo as it offers. They also depend frequently on merest chance in having a ship available at the psychological moment. This becomes clear when it is understood that there sometimes occurs a difference of as much as ten or fifteen per cent in the charter rates of two steamers between two identical ports in the course of a single month. The higher price is demanded because of the expectation that the steamer involved would arrive at destination at a favorable opportunity for securing immediately another cargo at highly remunerative rates, whereas the first steamer would have been subject to a

<sup>4</sup> Daily Consular and Trade Reports, Sept. 11, 1913

delay of many days, or to the acceptance of cargo of a different nature at much lower rates. During the year 1912 charter rates on bulk commodities fluctuated over a scale of almost 100 per cent.

The year 1912 was notable not alone for the high rates of freight, continuous employment of vessels, and consequent general prosperity among shipowners and shipbuilders. To turn the picture, this same year was notable also for the heaviest losses ever recorded in the history of marine insurance. The total loss from maritime casualties borne by Lloyd's and the British marine insurance companies has been officially estimated at £7,250,000. Altogether there were 6,031 casualties to vessels of 500 tons gross and upwards. No fewer than 228 ships of 483,158 tons were totally lost. The Liverpool Underwriters' Association, in January, 1913, estimated the total loss caused by the more important casualties during the previous five years at £29,338,000. While the bulk of these losses falls on marine insurance companies, the shipowners themselves suffer heavily even when their own self-insurance funds, set aside year by year from the earnings, cover the actual values destroyed. The loss involved in possible profits from the services of a missing vessel, for example, may amount to really serious figures.

These facts lead us to the conclusion that whatever romance or glamour there may be about sea-borne shipping, the business is not especially attractive from a financial point of view. With certain exceptions, profits are small and the business is fluctuating and uncertain. It is difficult to control because of the ease with which competitors may enter the field. It is subject to many losses due to such uncertainties as the elements, accidents, and the fortunes of war. The business should be classified

as speculative in character. In view of the uncertainties and the disastrous experiences of many shipping interests during the last decade or so, we may assume that American capital willing to enter the ocean-shipping field will be restricted for some time to come or so long as other opportunities for investments at home appear more certain and more remunerative. Possibly our longed-for American merchant marine may most surely and on soundest lines develop from the growing fleets of some of our great merchants and manufacturers, which during the past few years have gained rapidly in favor. A successful shipping business cannot spring into being over night; both time and experience are required.

### TEST QUESTIONS

- 1 What has been the general state of shipping profits during the early part of the twentieth century?
- 2 How did the popular notion that the shipping business is a profitable one arise?
- 3 Why do ocean freight rates fluctuate greatly during different periods?
- 4 What are some of the speculative events which influence shipping prosperity?
- 5 What factors influence capitalists to invest money in the shipping industry?

## CHAPTER XIII

### GETTING FOREIGN BUSINESS

#### 1. INTRODUCTION

Our study up to this point has been confined to shipping and handling export freight. If we now review briefly the ways and means of getting and building up a foreign business, the discussion cannot be considered out of order, for it is a well-known fact that there are comparatively few American manufacturers who have no business in foreign countries. Without being sought, perhaps without having been especially wanted, such orders have drifted down on hundreds of our manufacturers.

If these foreign shipments are to be handled at all, it becomes imperative that they shall be handled in the correct way. It is certainly true that much of the enormous export trade of the United States came to us unsolicited in the first instance. However, the time long ago arrived when progressive manufacturers began to realize the profits and the advantages to be found in foreign outlets for their products. Now the day has fully dawned when anxious inquiries are being made as to the best methods to employ for getting more of these orders from other countries.

#### 2. FOUR WAYS OF OBTAINING EXPORT ORDERS

At least four ways of getting foreign business may be distinguished. The manufacturer or merchant who is

really in earnest in his desire to build up his export trade will use all of them, and will elaborate on each one with all the ingenuity at his command. He will employ all his business experience and native ability to get introduced into foreign markets, to stay introduced, and to pull out of each field every cent's worth of business to be had there.

The four ways of breaking into foreign markets that are at the disposal of American manufacturers are, in the order of their relative importance: (1) by means of traveling salesmen; (2) by advertising; (3) through direct correspondence with foreign "prospects;" (4) in work among the so-called export commission houses of New York and, to a limited extent, some other ports, notably New Orleans and San Francisco.

*(a) Traveling Salesmen and Work Among Export Commission Houses*

The traveling salesman taking the factory message direct to possible buyers in attractive foreign markets is, undoubtedly, the ideal means of getting business. This is possible only when the American house has the right sort of a salesman to send—and this is a vital consideration—or has the money to spend on what, in its early stages, may appear as something of a speculation. But this phase, like the fourth, work among export commission houses, belongs quite as properly under the heading *How to Develop Export Trade* and may appropriately be postponed until the next chapter.

*(b) Advertising for Foreign Trade*

Comparatively little advertising in connection with the export trade is based on the general publicity theory,



although manufacturers are gradually coming to realize that that theory holds equally good in export as in domestic fields. However, most Americans advertise in the journals devoted to exporting purely to secure customers or agents. Most of them realize that a mail order export business is not thus to be developed, or if it is possible, is not by any means the result chiefly to be desired. The aim of export advertising should be the establishment of promising business connections in all and sundry foreign markets. The trade thus started may or may not run into big figures at the outset. In either case, the farsighted manufacturer is satisfied, for he realizes that the great thing is the establishment of business relations. With fair and intelligent treatment, the connections so established will produce an ever increasing volume of trade, through five, ten, or an indefinite number of years to come.

But the advantages resulting from shrewd export advertising extend even further than this. For example, the salesman despatched by a manufacturer finds to his satisfaction that when he presents his business card to a merchant on the other side of the globe he is not the representative of a totally unknown and unheard of manufacturer. The prospective customer at once recognizes the firm or company name, even if he recalls nothing else in connection with it. He is, therefore, predisposed to accept the traveler as a representative of a large, or at least a well-known house. This is by no means the insignificant trifle it may seem to the inexperienced; for to our shame be it confessed, merchants in other lands have had experiences far from conducive to confidence in unknown American exporters as well as in their traveling representatives. It sometimes surprises large American firms, known, perhaps famous, in every state of the Union.

to find that they have never been so much as heard of in foreign countries. In beginning export trade it is deeds only, not reputation, that can be relied upon

*Preparation of Advertising Copy.*—Assuming, however, that the main purpose of most manufacturers in patronizing the advertising pages of export trade papers is to establish connections in desirable foreign markets where such mediums circulate, it is clear that the preparation of export copy requires unusual, or rather individualized attention.

Since any advertising, domestic or foreign, is bound to call out a certain proportion of replies from mere curiosity seekers, it is often argued that copy should be devised to restrict such replies to the minimum. On the other hand, in the export trade, it is to be questioned if precisely the contrary result ought not to be aimed at. This form of advertising is neither general publicity nor mail order. At best nothing more in the way of actual, tangible business is to be expected than a possible order for samples of insignificant cost.

The whole story can not be told in the announcement and many advertisers feel that copy should be so attractively worded as to bring in the largest possible number of replies. Afterward these may be carefully scrutinized and sifted. Such advertisers seek an opportunity of explaining in detail the advantages of their line to those correspondents who have been attracted by the advertisement and have fancied that here they may find novelty, cheapness, or excellence of some sort which can be turned into profits for them. They write to find out, and it is the part of the advertiser then to sell his goods to the prospects thus developed. Possibly, therefore, the

more opportunities to tell his story at length that the advertiser unearths, the more chances he has of getting actual orders.

*(c) Foreign Correspondence*

The very backbone of any export business must be correspondence. No matter how many salesmen may be sent to foreign markets, such salesmen cannot visit all markets nor remain the whole year in any market. Business opportunities in other countries will constantly arise which must be developed through correspondence. Replies to advertisements must be turned into orders through correspondence. Not only must foreign business be started in this fashion and future continuance and growth also thus developed, but complaints and dissatisfaction must be settled through the mails.

One cannot always, in fact one can seldom or never, reply to a letter from 1,000 or 10,000 miles distant with:

"Our Mr. Blank will be in your city in a week or two and take pleasure in showing our full line of fall samples", or:

"Shall be able to adjust your complaint to mutual satisfaction."

The manufacturer who replies to an enquiry for catalogue and prices with:

"Yours rec'd. Under separate cover we send catalogue and take pleasure in quoting our best discount of 5-10-5 and 5, cash to accompany order. Yours truly," will get little export trade, and deserves less.

Selling goods and arranging business details by letter simply involves transferring to paper the arguments and something of the very atmosphere of every-day business talk. It should not be a difficult task, yet many men botch

it inexcusably. Some hints may be offered that will, perhaps, help in dictating to a stenographer letters which will be as effective as a face-to-face conversation.

*Effective Letter-Writing.*—The strongest feature of an advertisement or of a selling letter is usually the individuality of the goods offered. Price is almost invariably a minor consideration. Who has ever met the man who could swear that his goods are the cheapest in all the world? Somebody is always bobbing up with something cheaper. Moreover, in every market there are buyers for expensive goods as well as for cheap goods, some merchants who want the very best there is to be had as well as those who are content to cater to the masses. The characteristics which differentiate an article from others of the same general kind are of infinitely greater importance than the price. Convince a prospect, in Buenos Aires as in New York, that you have something better, something different; a tool that will do more work, or do it more cheaply, or last four times as long; offer a prospect a cue that he in turn can use effectively in reselling the goods to his customers, and slight differences in price are forgotten.

Both in advertising and in selling by letter this is just as true in dealing with customers in Australia or Chile as with our fellow citizens in the United States. But the manufacturer has nothing but his letter to depend upon in the case of the foreign prospect. He cannot get an answer in two or three days or a week. It will be two or three months before he can hear from many of his prospects and customers in foreign markets. Every letter, every phrase in every letter must, therefore, be efficient. His correspondent must be made to understand from his first letter just how and why his goods are better or

more desirable; the whole story must be told. Since he is talking to men of other blood and breeding, of other habits and experience, knowing little if anything of American trade practices (although much, perhaps, of those of other countries, Germany or England, for example), the story must be clear and simple. The high lights must be vivid, but beware of Yankee braggadocio. Forget American slang; forget that your factory is the "biggest in the world;" eschew trade technicalities, for our trade terms are often incomprehensible in other countries; write as you would to a kindergarten class, politely, of course; respectfully and diplomatically convey an impression of strength, solidity, importance, that all the boastfulness you could invent would fail to carry.

However effective the short, snappy letter may be here at home, you can not rely on it to carry many thousands of miles over seas. Better a full letter of three pages than the most clever concoction of half a page that entails fresh inquiries and explanations and the wasting of weeks and months of time. One must never assume that his foreign correspondents are mind-readers. Interesting subject matter, cleverly aimed to catch the eye and rivet the attention, will carry the reader through to the last line of a long communication. But nothing could be more unwise than to assume that one's foreign correspondents are children, simply because of a certain unfamiliar tone in their letters which the amateur in doing business with foreigners may characterize as ignorance or innocence. On the contrary, business men in other countries are quite as shrewd and clever in their own ways as are Americans. Their methods and customs differ from ours, perhaps, but are no stranger to us than ours are to them.

*Trade Terms and Phrases.*—American manufacturers have adopted the unfortunate habit of coining many new terms; even of attaching their own or new and strange meanings to older terms. Many catalogues produced in this country are unintelligible to Americans even who are not themselves engaged in the special line of trade treated. Often enough, we ourselves have to ask explanations of the makers of goods with which we have not before been acquainted. The value of the advice to avoid technicalities in foreign correspondence may be made clear by concrete examples

American boot and shoe manufacturers have reversed the original and proper significance of certain trade classifications. We call boys' sizes the range from 2½ to 5; youths', from 11 to 2. But a youth is an older and presumably larger animal than a boy, and British manufacturers reverse the American nomenclature. In England youths' sizes are those that we call boys'.

The British use of the word "wrench" differs from ours, and "spanner" is still the more common term among English engineers and mechanics for our wrench. The fact that the world-wide sale of the American article, accompanied by our appellation for it, has made "wrench" everywhere understood should not tempt manufacturers of articles less widely known and introduced to try to force their own phraseology on foreign customers. Some study (possible even at long range), of foreign and especially English trade terms and customs is indicated.<sup>1</sup>

The greatest possible individuality should be attached to the goods that are offered for sale. This is possible in all lines, even staples. Sugar, for example, may be

<sup>1</sup> Hough, B. Olney, *Elementary Lessons in Exporting*.

put up in special boxes or cartons and sold under a catchy name. If there are no startling qualities actually inherent in the goods themselves, sometimes claims for novelty, originality, individuality can nevertheless be urged. Yet one maker's vinegar is not precisely the same as that of another maker. If a manufacturer's ingenuity or flow of language or thought is not equal to the task of forcefully presenting novel claims for his goods, then refuge may be had in an impressive trade-mark which may be so emphasized and pushed that it will ultimately become a standard and actually sell the goods. Trade-marks, by the way, are always and everywhere in foreign fields peculiarly valuable assets. People in other countries are far more firmly wedded to names and marks, once favorably introduced, than are we restless Americans.

All foreigners are much more fond of formality in correspondence than we are. The American may smile at the "we are, Gentlemen, your obedient servants" of his English customers; may sneer at the "S S Q B M" of his Spanish-speaking customers when he learns that those symbols translate into "your servant who kisses your hand." However, he will make no mistake if he revises the tenor of his usual correspondence and makes slight concessions, at least, to the prejudices of those abroad from whom he is seeking to secure orders, signing himself, perhaps, "Yours faithfully," instead of his customary "Yours" or "Yours truly." On no account must he indulge in such barbarisms as the rubber stamp signature or the very modern but absolutely unpardonable "Dictated but not read" or "Signed in the absence of \_\_\_\_\_"

*Language to Use.*—Many of the leading merchants of every country are able to read the English language, even

when they dare not trust themselves to write or speak it. If the principals cannot, there is usually someone in their employ who can. None the less in seeking orders the most effective possible appeal should be made. This unquestionably is accomplished by putting one's case before his prospect in the latter's own language. English, French, German, Spanish, and Portuguese will suffice for the whole commercial world—Portuguese, not because it is so important or widespread in itself, but because the Brazilians are intensely jealous of their Spanish-speaking neighbors and proud of the fact that they have a language of their own which they are anxious the rest of the world should acknowledge.

English or (rarely) German suffices for the Scandinavian countries, where Danish or Swedish will never be required save with correspondents of the smallest calibre. French answers perfectly well for all important business houses in Italy. Translators are so readily and cheaply procurable everywhere nowadays that small excuse exists for failure to talk business on paper to prospects or customers in their own tongues, or tongues that they use frequently and easily.

A great deal of misapprehension exists as to the possibilities of starting business solely through correspondence. Americans are constantly berated by their amateur critics for the attempt to develop business in this fashion. Consuls, particularly, are fond of pointing out that business in their districts is utterly impossible from catalogues alone. Yet it is most seriously to be doubted if there exists an American (or any other) manufacturer, doing any export business at all, who cannot congratulate himself on some large and profitable accounts started in precisely this way, which never have been, and probably



Our critics are prone to forget that manufacturers do not expect a customer, not even a "bite" from every letter sent out. A large number must be distributed to secure a single inquiry—perhaps one interested reply to every hundred circular letters (of the best type) is a fair average. But if an actual order is developed from a thousand letters the system is to be pronounced successful. The mathematical calculation as to costs involved is easily performed mentally, and the profit is not alone to be figured on the initial order but on many future orders from a permanent connection thus established. It is not too much to assert that there does not exist an American exporter who has not established some business connections solely through correspondence, while there are some within the author's personal acquaintance who have never developed foreign trade in any other way.

The personal letter, actual or apparent, is always a much stronger appeal than the self-confessed circular. This is peculiarly true in the export trade, above all in the trade with Latin-America. Whenever letters printed in facsimile of typewriting are employed, the greatest care should be exercised in exactly matching inserted addresses and salutations to the body of the letter.

*Circulars and Catalogues*—Circular letters referring to catalogues under separate covers should contain something more than a brief notification. Some part of the manufacturer's story should be told, or at least hinted at, in the letter itself. The printed matter may not arrive by the same mail—in some foreign markets may be delayed a week or two. In any case it is most desirable to include in the letter some brief synopsis of the most striking and effective talking points of a line in order to enlist the

recipient's curiosity and thus insure his opening and reading the catalogue.

In what languages should export catalogues be printed? This depends on the pocketbook of the exporter. Probably the majority of manufacturers begin with an English, usually the ordinary domestic, catalogue only. They try out possibilities in this manner, later deciding on their policy as to new catalogues according to the encouragement received. No manufacturer should spend any money in the effort to establish an export trade unless he is confident of his ability in that direction and fully intends to stick to the effort patiently and follow it up to success. For this reason it would seem that the advantages to be derived from printing descriptions, and selling arguments in languages that will be most effective would far outweigh the expense necessitated. Some manufacturers compromise the difficulty, using an English catalogue with a brief résumé, a special circular, in the requisite languages. They make an insert of this suggesting inquiry as to explanations and descriptions which will be taken up in detail by letter.

In the preparation of special export editions it is not always desirable to reproduce the whole of the domestic edition. The latter almost invariably lists some goods not entirely suitable for trade in other countries. Two editions may be prepared for export, one small and cheap for general circular work, the other complete and more elaborate for regular customers and really important inquiries. Remarks applying to the style and terminology of letters apply with equal force to the writing of catalogues.

The question as to what prices should be quoted in general circular letter campaigns admits of but one answer.

However virtuous the principle of one price to all may be considered, it assuredly is not good policy in the export trade. It is a practical certainty that circular quotations will reach all classes of merchants large and small, and with varying credit and financial responsibility. If, as many manufacturers believe, the great thing is first to get goods introduced somehow—to consumers, to small retailers, anyhow, so long as the goods get on the market—the great aim and expectation will be ultimately to get them into the warehouses of the biggest or best people in a given market. It is evident, however, that when the big man finds that the little fellows (those whom he regards as his legitimate customers) have been enjoying the same prices that he must pay he will promptly lose all interest in the line. Moreover there are other possible allowances to be foreseen and provided for—special inducements to New York export commission houses, for example.

*Foreign Postage*—To conclude, there is the perennial question of foreign postage. It is more or less generally acknowledged that in this respect Americans are the worst offenders in the world. It may be doubted if the cause is mere ignorance as to the rates of postage to other countries, or of the fact that recipients of letters not fully prepaid are taxed double the deficient postages, thus inducing a frame of mind not exactly calculated to predispose them to consider the letter writer's proposals favorably. The real trouble in the office of the average business house is pure carelessness, usually on the part of office boys and mailing clerks. Among many schemes proposed to insure proper prepayment of postage perhaps the best is the use of special envelopes, of unusual size or color, or those ready-embossed with five cent

stamps which stenographers should be instructed to use these without exception in addressing foreign letters This brings the responsibility home to the heads of departments who must see each individual envelope when signing the accompanying letter

### TEST QUESTIONS

1. What four ways of getting foreign business does Mr. Hough mention especially?

2. What does he say about the traveling salesman as a method of getting new business?

3. What can you say about general publicity advertising for getting foreign trade?

4. What has been the aim of the export advertising carried by most American firms?

5. What points should be considered in the preparation of advertising copy?

6. Why is foreign correspondence the backbone of the export business?

7. What is the strongest feature to be emphasized in a letter?

8. Why should slang be avoided in foreign correspondence?

9. Illustrate the care that must be taken in the use of trade terms and phrases

10. Why is formality so important in a business letter to Spanish-speaking customers?

11. What conditions would guide you in selecting a language in which to conduct foreign correspondence?

12. What points would you bear in mind in the preparation of catalogs and circulars in the development of foreign trade?

13. Why is it important to prepay all postage on foreign mailing matter?

## CHAPTER XIV

### DEVELOPING EXPORT TRADE

#### 1. TRAVELING SALESMEN FOR FOREIGN TERRITORIES

Traveling salesmen have been classified as a means of developing, rather than starting foreign business, largely because few if any manufacturers begin export business by sending them out. This is due to the fact that they are content to test foreign fields in less expensive ways at first, and because no concern sends its salesmen to all foreign markets and few of them keep salesmen continually at work in any given market. No one questions the vastly superior results to be gained from the work of a good salesman as compared with returns obtainable in any other way.

The manufacturer who can afford to do so, having discovered that there is a demand for his goods that appears to be susceptible of development in a special market, or several of them, should by all means despatch the best salesmen he can find to cultivate the promising field. But most conservative business managers wish first to be convinced that their goods can be sold in these markets in quantities and at profitable prices. That test is usually made in ways suggested in the preceding chapter.

American manufacturers are still constantly upbraided for not using salesmen more generally in seeking foreign business. Some of the criticism aimed at us is amusing in its absurdity. An American consul in Turkey in his

published reports for ten years past has been complaining that no American salesmen visit his district. But he is located in a town of not over 50,000 population, a twelve-hour carriage ride inland from the nearest seaport. No wise salesman making a trip to Turkey would consider it worth while spending the time required for this inconvenient and none too promising détour.

Not only the volume of business in sight but the prices at which that business can be booked affect the operations of a foreign salesman. The author is acquainted with a salesman for a Lyons (France) silk manufacturer who once every two years makes a thorough tour of Colombia, visiting on horse or mule back every town of any commercial importance in that republic. When the author expressed astonishment that so much time should be spent and so many hardships undertaken to get orders that are far from imposing in quantity, he was told that the prices at which these orders were taken were from 25 per cent to 50 per cent over the prices paid by customers in more important commercial centers.

#### *(a) Qualifications of Salesmen*

Having determined to send a salesman to a foreign territory to which a trip seems desirable, the question arises—what salesman shall be sent? Shall it be an old employee, thoroughly versed in the factory products but unfamiliar with export conditions, speaking no language save his native English; or shall it be a specially engaged salesman familiar with the ground to be covered, acquainted with prevailing customs and local characteristics and fluent in the language used by prospective customers? If any general reply can be made to this inquiry it must be that probably the factory employee is the preferable. (This is especially true if any considerable technical

knowledge of the goods themselves, their nature or uses and their advantages, is necessary or desirable.

However it is unfortunately true that only a small proportion of American salesmen make a success in foreign fields. To do this it is necessary for them to stick to their work abroad long enough to wear off certain characteristics which may have actually helped them to get business here at home, but prove a heavy handicap in other countries.

While a little Yankee breeziness will do no harm in foreign traveling, is perhaps more or less expected and regarded as amusing and piquant, yet slang, braggadocio, swagger, familiarity, so common with us here at home that we scarcely notice them, are regarded by foreign merchants as insulting, or at least incomprehensible.

The American salesman chosen to travel in foreign countries must, first of all be a gentleman, fitted to mix socially with the best there may be in the cities he is to visit, for he will solicit orders from the biggest and best of the merchants (the small dealers probably do no direct importing from over sea); he must be broad-minded, adapting himself easily and promptly to new surroundings and atmospheres, capable of discovering the good features in new and strange customs and habits; he must be a real diplomat, versatile and well-read; if not proficient in the language of his customers, he must have at least such a facility for acquiring other tongues as will enable him quickly to pick up a smattering of the one desired.

And he ought to be several other things also. Such a Chesterfield is not easily or usually found, is not to be expected. But the salesman who does not approximate in some limited degree these several qualifications had

better be kept at home, on his accustomed rounds. In foreign markets he will not reflect credit on his house, or his country, nor will he send back a satisfactory volume of orders from the right people

*(b) Expense of Salesmen*

The expense involved in drumming foreign markets by salesmen sent out direct from the factory will, inevitably, be considerable. The salesman that should be sent will be worth, and should be paid, a salary of anywhere from \$3,000 to \$10,000 a year. His traveling expenses from home city back again will not average less than \$11 or \$12 a day (including steamer fares, tips, etc.), and may run very much more, especially if samples are carried. It would be difficult, in some cases, to make a short and hurried trip for the daily expense just named, but for any long trip, from four months upwards, the average given may be counted upon, no matter what direction the trip may take

Much depends, of course, on how much entertaining the salesman is expected to do. Here it may be remarked incidentally, that the necessity of automobile rides nowadays has added materially to the salesman's entertainment expenses everywhere. In averaging daily expenses the quantity and nature of samples that are carried are even more vital. In many countries custom-house procedure in entering and clearing samples (to say nothing of duties) is costly and involves loss of much time. Moreover, (outside of Europe) comparatively few foreign hotels boast sample rooms or permit ordinary chambers to be used for that purpose. In such cases special rooms, or vacant shops have to be hired. Further-



more in almost all Central and South American countries, in South Africa, in Australia, and New Zealand, salesmen's licenses may have to be procured. They may cost several hundreds of dollars in a single country, each separate province or state, sometimes each municipality, imposing its own individual tax. But ingenious as well as experienced foreign travelers seldom pay these taxes, managing to circumvent the laws in a variety of ways.

### *(c) Shipping Samples*

Since the arrival of a salesman accompanied by several trunks of samples as "baggage" at once brands the traveler as subject to a tax for license, it frequently happens that salesmen ship their samples ahead as cargo. The salesman secures a regular bill of lading, by the same vessel on which he himself proceeds in the guise of a simple tourist. The sample trunks or cases may be consigned to some reliable customhouse or forwarding agent, or, preferably, to a local agent or merchant with whom business has already been initiated, or with whom the salesman hopes to begin business. Immediately after arrival the salesman visits the consignee, explaining matters, delivering bill of lading and soliciting his cooperation in getting the samples through the custom house.

This plan involves paying duties which together with all other expenses are, of course, borne by the visitor. In some countries it is possible to deposit the amount of the duty, or have a bond filed to cover that amount, and on leaving the country obtain a refund of the deposit or cancellation of the bond. However, this proceeding is almost invariably accompanied by so much red tape, delay, and annoyance that traveling salesmen usually dis-

regard the refund and consider it actually cheaper to charge the outlay to expense. Of course this would not be the case if a large sum of money were involved. This is one of the reasons that many traveling men have separate sets of samples shipped ahead of them to the various countries they plan to visit, selling each set, duty paid, when ready to go on to another field.

New, inexperienced salesmen sometimes ask, to whom they can consign their sample cases, shipped as cargo, when it is their first visit to a market. It is easy enough for anyone to learn from inquiries of sundry authorities the names of reliable custom house agents in all parts of the world. Frequently, however, it is far more desirable to use this as a means of introduction to the house with which the salesman most wishes to establish business relations. Incomprehensible as it may seem yet it is all too common a fact that at this point many a new salesman will break in with: "But I don't know any business houses there!"

The idea of a man's starting out on a long and expensive trip in the hope, if not expectation, of selling goods in certain markets about which he knows nothing is sufficiently startling. Not only such a salesman personally, but his principals as a house ought to know all about a market before attempting to drum it even by correspondence, to say nothing of sending traveling salesmen. They ought to know the names of all the leading merchants and the chief characteristics of each one, the relative importance of each house, its responsibility, etc.; what lines are handled; what competitors have already secured a foothold. To start on a selling trip without such a knowledge is to incur needless delay and expense at every turn. Such information is by no means

difficult to secure The "service" departments of most of the export trade papers give advice of this sort free of charge to their advertisers.

The exporter should remember always that a certain risk is incurred in consigning samples to business men anywhere with whom there have been no previous business transactions. Certainly nothing of the sort ought ever to be attempted except when there is reason to suppose that the favor asked (always, of course, by earlier letter) will not be regarded as an imposition

When samples have been landed in a foreign country where licenses for salesmen are required, in some such way as has been suggested the visitor works with the house that has helped him in and under the license issued to that local house, requiring no additional license for himself. But a word of warning must conclude our consideration of this subject: in some countries rewards are given for the exposure of salesmen who attempt to evade payment of local taxes. Local concerns have been known to put the authorities on the track of such foreign salesmen, even when business has been transacted between them.

#### *(d) Combination Salesmen*

On account of the expense involved in sending abroad the factory's individual representative, "combination" salesmen are sometimes employed Theoretically, this scheme of sending with one man the samples of eight or ten manufacturers, each of whom contributes pro rata, or in some agreed-upon proportion, to the necessary costs of a trip, might work to the satisfaction of all concerned. In practice, it is almost without exception a failure. It is seldom that such a combination survives its first trip, or

first season. Even when reconstructed from time to time, it rarely lasts two or three years.

As for the salesmen who undertake these ventures, they usually drop out of sight, so far as the export trade is concerned. There will always be some of the factories represented that will proclaim the salesman a thief and a robber, because he took their money, contributed towards costs of a trip, but got no orders.

Reasons for the failure of these combination ventures are not far to seek. Most of them are engineered by men of little if any experience in foreign business relations. They may have devised the scheme because they believe the development of a profitable business thus possible, or because they want to see foreign countries, peoples, and trade at some one else's expense. But even when the salesman is a man of wide and thorough export training and experience, it always results that after two or three good selling accounts have been secured the remaining houses, required to contribute to the expenses of the trip, will be hard to persuade of the value of the combination arrangement. The salesman, no matter how honest his intentions, is certain to take on whatever manufacturers he can finally persuade to part with the necessary funds, whether or not the goods they make are suitable for the markets to be visited. Lines utterly dissimilar are carried, involving either neglect of some or unduly long stops in each market in order to cultivate varied kinds of merchants, with increased expense and slow progress. Ultimately the salesman finds it necessary to follow the lines of least resistance, sells the goods that sell most easily, and overlooks the others. Those manufacturers for whom no business is secured quickly retire from the combination, and the salesman returns home either disgusted

with the scheme or to spend weeks or months in the effort to hypnotize new manufacturers to fill up the holes thus left. This process is seldom repeated for many successive trips.

### *(e) Following Up Salesman's Work*

All too frequently the manufacturer who has sent a salesman on a trip rests content with the business connections thus established and returns the salesman to his domestic territory; or, if a special man had been taken on for the foreign trip, discharges him to save further selling expense. Either course is distinctly unfavorable to the future development of the business thus encouraged, if not initiated.

A trade once opened up ought to be kept in that condition. The inroads of competitors must be guarded against; the interest of customers kept alive; their personal acquaintance continued and cultivated. If the visit of the salesman can not be repeated year after year, yet occasion ought to be found for another visit in two or three years at least. Within such periods various conditions may arise that can be grasped, met, and understood by no one so well as the man from the factory.

But what is to happen "between times" to the trade which the salesman has started or developed, while the salesman is working in other and probably distant fields? Shall it be left to take care of itself? This brings us to the consideration of a method of doing business in foreign markets which European manufacturers habitually employ but which most Americans despise.

## 2. LOCAL RESIDENT AGENTS ABROAD

Swarms of local commission agents abound in every foreign market. They are strictly salesmen, buying nothing themselves, merely offering the samples sent them by foreign manufacturers whom they represent. They try to secure orders from local dealers and look after the development and satisfactory conduct in general of the business of their principals in their markets.

It seems hard for American manufacturers to understand the operations of these agents. It is even harder for them to convince themselves that such agents can be competent, successful, of high grade, and a desirable means of promoting business. Yet almost all European manufacturers employ such local commission agents in some, many in all, the markets to which they export their products. Furthermore, probably every professional export house in New York utilizes the services of such agents in those foreign markets to which they especially cater, but which are not of sufficient importance to justify the maintenance of branch houses.

When the usual American manufacturer advertises for foreign "agents," he perverts the primal meaning of the word. Instead of a representative of a principal, he means a merchant or other buyer of goods to whom he will grant control of his products in a given territory when the buyer actually orders and pays for goods, perhaps in certain stipulated quantities. Sometimes valuable territories have been given away in return for an order of a few dollars' worth of goods, and a "promise," so delighted has the manufacturer been over any sort of order from abroad. A manufacturer of billiard

tables gave the exclusive agency for his goods for the whole Argentine Republic to a hotel in Buenos Aires, because that hotel ordered ten tables for its own new billiard room. One American maker of a certain kind of machine tools made a German dealer his agent for all of Continental Europe when that dealer simply promised to buy some tools, although the same dealer was also agent for two American competitors. Such connections are not agents in the real sense of the word.

The ambition of most manufacturers is to put their goods into the hands of jobbers in foreign countries, if not to give their exclusive agency to such houses. Jobbers as we know them are, however, non-existent in many other countries. There may be comparatively large houses doing both a retail and, to some extent, a wholesale business in their immediate vicinity. Or the place of the jobber may be taken by what, for want of a better term, is usually called the general importer. Many, if not most of the latter class, when they are not the familiar general store, do not stock goods, but act as importers for their customers of too small caliber to bother with the trouble and detail of important processes. They get from abroad such special goods as are desired. An exclusive agency for a line of goods given to the former, *i. e.*, the combined retail and wholesale merchant, will obviously kill the chances of a manufacturer to sell to other retail shops, competitors of the agent.

An agency given to a general importer, doing wholesale business exclusively, may be a more desirable policy. However, this is open to the objections that attach to similar arrangements with jobbers here at home, plus this condition: a great many of these general importers do not carry any goods in stock. They order only kinds

and quantities specified by their local customers and upon arrival make direct deliveries to their customers. Hence, they are not in position to contract for, or even to promise, any given minimum annual consumption

The advantage of the local commission agent, who buys nothing for himself, but simply solicits orders for the manufacturer, lies in the ability of such a man to get business for his principals from all possible buyers in his field. Being constantly on the ground, he is able to take immediate advantage of every opportunity the moment it arises and to adjust troubles and complaints that are morally certain to arise in the conduct of any business, whether foreign or domestic. Moreover, he can safeguard payments and collections for his principals

The province of the agent, properly so-called, by no means includes only the securing of orders. Those other functions, just indicated, are even more important, for it is all too easy for promising trade to be spoiled by injudicious letters from the factory, perhaps thousands of miles distant. If salesmen are sent out by the factory, they find a great advantage in working with local agents, permanently resident in all the principal markets covered. The knowledge and experience of the resident agent saves much time and furnishes guidance as to responsibility and character of local customers. In addition, the local agent remains on the ground after the traveler has gone.

Hundreds of these local commission agents are to be found in every important commercial city of the world—even in New York and some other cities of the United States, as representatives of European manufacturers selling goods in this country. A great many of them in every city are poor specimens of business men, but in



every hundred there will be found one or two, perhaps several, who are old, experienced men, respected, shrewd, careful, conservative, successful, both as to sales and conduct of business. They are representatives for some of the largest manufacturers and exporters in Europe. American concerns of experience are using them more and more. Undeniably a good agent of this class offers the best possible means of developing to its fullest extent the trade of a city or district. He may work alone or in conjunction with, and supplementary to, the work of direct representatives from the factory. Needless to say, however, extreme care must be exercised in selecting such an agent, in separating the rare sheep from the many goats.

### 3. EXPORT COMMISSION HOUSES

What are commonly termed Export Commission Houses, hundreds of which are established at New York, a few at other ports from Boston around the coasts to San Francisco and Puget Sound, offer another means of developing trade in foreign markets. But these houses are not primarily introducers of new goods. If, incidentally, they attempt something of the sort, their efforts are scattered, as their connections and facilities abroad vary in most extraordinary fashion. Careful investigation is necessary to determine where each such house operates effectively and the nature of the business done in each separate field that is expected to be covered.

The real function of the export commission house, as distinguished from the export merchant, properly so called, of whom there are few in the United States, is to act as buying agent in the United States for foreign concerns dealing in American goods. A large buyer in some foreign market may find a very real advantage in

entrusting many, if not all, of his American orders to such a house in New York and paying the customary buying commission of from 2½ to 5 per cent. Instead of sending some fifty individual orders to fifty different manufacturers, receiving as many separate invoices and bills of lading, financing separately fifty different accounts, and paying excessive freight charges for minimum bills of lading on some very small shipments, the whole may be accomplished in one operation by depending on an export commission house. Such a house distributes the orders, finances each one, ships all together on one bill of lading, and reimburses itself as may have been agreed, usually by one draft on the foreign buyer.

These orders originate with the foreigner. About all that the export house can do with such a customer is to forward to him the printed matter and prices, possibly samples, of a manufacturer, with a recommendation to place trial orders. Whether the actual buyer places an order depends absolutely on his own judgment and not at all on any influence the New York exporter may claim to exercise. It is even doubtful if a third party, the export house, can tell the manufacturer's story so effectively as the latter can himself tell it. However, the advantage of having the exporters place the goods before such of their customers as they know might be interested is not to be denied.

The great majority of export commission houses handle every conceivable sort of goods that are made in this country and that can be exported, since they may be demanded by their customers—from needles to locomotives and from shoe polish to cargoes of wheat. Comparatively few of them specialize. Even when such a house has its own branches in foreign countries, or employs local com-

mission agents to represent it, the operations of the house may differ radically in different markets. In one, business may consist chiefly in cotton piece-goods, in another, in machinery, in a third, in coal; in a fourth, in boots and shoes, leather, shelf hardware, etc.

The business carried on in each market depends partly on how chance may have turned the tide of trade toward a particular house, partly on the individuality of the resident manager of the branch house. To expect the manager of a branch in Shanghai, whose business consists chiefly in cotton piece-goods, to try to introduce machinery is obviously absurd. That manager cannot spare time, as he probably has not the inclination, to attempt to sell something he knows nothing about and to make and cultivate new friends and acquaintances in a hitherto unknown circle of trade. But another branch of the same New York house may welcome the chance to add a new line of machinery, because it is in complete harmony with the business already in hand, appealing to trade acquaintances already counted as customers.

To induce export commission houses to take an interest in their goods, manufacturers often accede to requests for special, extra, or confidential discounts or commissions that every export house is practically certain to make when asked to interest itself in promoting foreign sales. The wisdom of such concessions is a question of policy which manufacturers must determine each for himself. In any case, a thorough knowledge of each commission house, the markets where it is strong, and the character of business in each market, is most desirable. No export commission house covers all the world.

## 4. MANUFACTURERS' EXPORT AGENTS

Finally, among means for the development of trade in foreign countries must be counted the manufacturers' export agents, whose numbers have rapidly increased in recent years. Most of them are located in New York, and a large part of their work consists in regularly and systematically drumming the trade of the export commission houses just described. They cultivate the friendship of their various departmental managers, endeavor to have their own goods preferred when "open" orders are placed, etc. These manufacturers' export agents sometimes take the place of an export department at the factory, taking care of all foreign correspondence, attending to details of foreign shipping, and even to the negotiation of foreign drafts.

Usually such an export agent represents several manufacturers; some only three or four, some as many as fifty, with each of whom such terms are made as may be mutually satisfactory. Sometimes the arrangement is strictly on the basis of a commission on sales, more often a commission plus a small monthly cash contribution towards expenses for office rent, clerical labor, postage, etc. In arranging representation with such an agent, previous personal acquaintance is highly desirable.

## TEST QUESTIONS

1. Why are traveling salesmen more suitable for developing foreign trade than for starting foreign trade?
2. Why is the volume of sales not the only test to be used in determining the profitability of employing salesmen?
3. What qualifications should a good salesman for foreign fields possess?
4. What are the expenses of such salesmen?

5 What policies are used in shipping sample packages for salesmen into foreign territory?

6 Explain the system of combination salesmen

7 Explain the necessity of following up salesmen's work

8 In what ways may local resident agents abroad be used? What classes of local agents may be found?

9 What other services besides selling do local commission agents perform?

10 In what ways may manufacturers use export commission houses established in this country to increase their foreign sales?

11 Explain the services that are rendered by export commission houses

12: What is meant by manufacturers' export agents?

## CHAPTER XV

### FOREIGN CREDITS AND COLLECTIONS

#### 1. PAYMENT FOR EXPORT INVOICES

How does one get his money for goods shipped to foreign countries? There is no commoner inquiry from manufacturers who would like to export their goods. On the other hand, we find many manufacturers declaring that what attracts them to the export trade is the fact that they get cash for their goods. Cash may be interpreted in a number of ways, as will shortly appear, but what is meant in the connection just instanced is, cash remitted with the order, or paid before or upon shipment. Undoubtedly by far the greater number of American manufacturers who have some export trade demand such terms from their foreign customers. However, it is equally certain that trade with other markets is not to be developed to half its possibilities in this fashion. While the greater number of our American manufacturers adhere complacently to these terms, it is none the less true that the great bulk of our export trade in value is financed on terms more liberal to buyers. Our enormous shipments of grain, flour, cotton, lumber, and copper are financed on terms customary in their respective trades. These are regarded as amply safeguarding sellers while at the same time saving buyers the expense and annoyance of putting money into the United States for the payment of their invoices.

The adequate development of our national export trade, great already, but only in its infancy, depends largely, if not wholly, on such a study of foreign markets and customers as will permit American shippers to extend with safety to themselves terms that will neither be regarded as insulting by customers in other countries nor involve hardships and needless expense on the part of the shippers.

For many years our critics have derided "American cash terms" and contrasted them unfavorably with the "long credits" said to be extended by European, particularly by German, manufacturers. Intelligent explanation of ways and means and conditions, with advice as to how more favorable arrangements may be made, seldom accompanies these criticisms. In most departments of our domestic trade cash or short credit terms govern. American prices are usually made on this basis. Our critics are prone to forget that in no country are cash prices the same as credit prices.

The customer in Turkey or in Brazil who has been accorded a credit of six months can readily obtain a substantial discount, perhaps of 10 per cent, when he decides to pay cash. Credit must be paid for, if no more at least in the way of substantial interest for the time involved, no matter where creditor and debtor reside, in Germany or the United States, in Australia or Mexico. Perhaps it is in our failure properly to emphasize the fact that our attractive American prices are only possible in return for a prompt exchange of cash for merchandise, that misapprehension exists as to the American attitude towards credit questions. Possibly it is true that the rank and file of manufacturers in this country work on a smaller capitalization than do manufacturers in Great Britain.

Therefore, the latter can better afford to calculate only interest, and at as low a rate as 5 per cent per annum, in granting their foreign customers terms of three months, six months, or longer periods

However, the bulk of the export trade of any producing country is financed by bankers. Once a thorough understanding of practices in vogue in handling foreign trade through them is acquired, there would seem to be no reason remaining for reluctance on the part of Americans to extend facilities to good customers. Such terms cost the first parties nothing while meeting customs, prejudices, even trade requirements, of other markets.

#### *(a) How to Secure Confirmed Credit*

Even when manufacturers, for one reason or another, are firm in their determination to get the money for their goods before they leave American shores, the demand for such payment may be put in a fashion that will help a little in mollifying the customer. Not a few manufacturers in quoting prices are content with the abrupt, sharp, unqualified phrase, "Our export terms are invariably cash in full with order." Let the manufacturer picture to himself the effect of this phraseology on a business house, in Buenos Aires, for example, locally rated as a millionaire concern, and accustomed to have manufacturers who are acquainted with it accept gladly terms which it may require; which usually sees suppliers falling over each other in their eagerness to get orders on any terms, not dictating such terms as are employed with insolvents.

If such terms must be made, why not at least make an effort to sugar-coat them, put them diplomatically,



extract the sting, make it clear that no personal reflection is intended? For example, one may explain that the manufacturer's business system "for the present" necessitates payments for all export shipments in New York, irrespective of customers and of destinations; that as the present is a first transaction, it is suggested that the desired order be forwarded through some responsible buying agency in the United States; or, if preferred, the prospective customer may arrange with his local bankers to open a credit for the amount of the order with their banking correspondents in New York, who may be instructed to advise the shipper of such credit and to pay the amount involved upon presentation of ocean bill of lading. This process, it may be pointed out, safeguards both parties; the buyer, because he knows that the New York bankers will not pay out his money until proof is presented of actual shipment of the goods; the seller, because he knows that the money is waiting and immediately available as soon as shipment has been made. At the same time, hope may be expressed that in the early future, particularly with the anticipated development of business, it will be possible to arrange somewhat more liberal terms, which the shipper is especially anxious to bring about in the case of this particular customer, etc.

It has hitherto often been much more economical for customers of American manufacturers in some foreign markets to obtain bank credits in London than in New York. Such credits have been found equally as satisfactory as New York credits by our manufacturers, since documentary bills drawn against banks in London find a ready market in New York at attractive rates of exchange. Credits thus opened with London bankers may be confirmed by the latter to the American manufac-

turers in the same way that New York bankers confirm the opening of credits with them.

The advantage, indeed the necessity of securing confirmation of credits, is obvious. The manufacturer or other shipper of goods is not dependent on the bare word of a customer in the distant country. He knows that his money is waiting for him in the hands of a responsible banking house. Advices from a London banker to an American manufacturer that credit has been opened under certain conditions, when attached to other documents covering a given transaction, increase chances of marketing the draft involved to the greatest possible advantage with New York foreign exchange houses, demonstrating the transaction to be legitimate and sure beyond any question. How London, as the world's financial center, and especially the clearing house for the world's exchanges, may be affected by results of the European war is today an interesting query.

Another form of credit which sometimes comes to notice also requires a word of explanation. Merchants in the Far East, that is in China and Japan, in ordering goods from the United States always supply what is called a "letter of credit," but this is quite unlike the document that properly bears that name. This so-called letter of credit is in reality nothing more than an advice to New York bankers or correspondents of Far Eastern bankers that it will probably be safe to buy drafts up to certain amounts, drawn according to certain terms on the house in whose favor this document has been issued. The drawer of such a draft is not relieved from responsibility, as he would be in the case of the more usual and properly so-called letter of credit. Yet, since Far Eastern bankers do not issue these letters of advice to their New York

correspondents excepting in cases where they believe buyers to be amply responsible and morally sure to meet the obligations involved, American shippers may proceed in these cases with entire confidence.

Adroitness in correspondence is emphatically called for in making these financial arrangements, yet carelessness, thoughtlessness, bluntness, even offensiveness, are the rule and contribute more than anything else to the growth of the legend that Americans do not extend credits. This is not true, for we are often rather more free in giving indiscriminate, if not long, credits than we ought to be. No manufacturers in the world, British, German, or any others, offer terms other than cash to totally unknown concerns, or on first transactions to anybody except famous houses known everywhere.

### *(b) Open Accounts*

The true basis for all foreign business is not the remittance of cash in any form by buyer to seller, but is the documentary bill of exchange, or draft. A certain amount of export business is and must be done on "open account," just as most of our domestic trading is done—between Ohio and Texas, for example. This is true of much of our business in Europe, where the custom has arisen because of the real or fancied necessity for American invaders to meet trade customs in vogue between closely neighboring nations. French exporters employ drafts in shipping to customers in Brazil, but they sell customers in Italy on open account. The markets are so close together that to them Italian business is hardly to be called foreign. Communications are easy and quick and business customarily direct from factory to retail shop. So,

although American flour exporters finance European business through documentary drafts, when American shoe manufacturers sought business in Europe they found, or thought they found, themselves obliged to carry on business with European shops, as those shops had previously been doing business with their neighbors—that is, on open account. So in sundry other lines sold by us in England, France, Germany, Belgium, and the other countries of Europe, the practice varies.

Mexico and Cuba are other markets where, largely (it would seem) through stress of competition, open accounts have come to be the rule, and many native houses decline to accept proposals to do business subject to drafts. Much of the West Indian trade is handled similarly, the rule being that remittance shall be returned by the homeward voyage of the same ship that brought out the goods—a rule honored as frequently in the breach as in the observance.

Practically all the Central American trade with the United States consists in the exchange of commodities. The house here ships down such goods as are ordered and debits their value against consignments of local produce sent north by the Central American firms. On this account most of the business with those five republics is handled by New York, New Orleans, or San Francisco export commission houses, since the usual manufacturer has no facilities for disposing of consignments of coffee, mahogany, logwood, etc.

Theoretically, there are just as good, just as big, just as rich, just as honorable business houses in all other countries as in our own. Hence, business, it may be thought, can be as safely done with such firms abroad as with good houses at home, and on the same basis. But

standards of commercial morality vary. Tactics that would land a business man in jail in the United States may be applauded in Turkey as evidences of business ability and shrewdness. The French word *chicaneur* is frequently heard in business circles in many different countries. Our own chicanery is adopted from it. Its nearest definition in English is, "kicker." The man qualified as a *chicaneur* is likely to make all sorts of claims, take advantage of every loophole or technicality, seek in every devious fashion to secure a rebate or discount to which he is not entitled. Japanese, Syrian, Armenian, Greek, native East Indian merchants all have standards of commercial morality—their own, but not ours.

Doing business on open account with foreigners may often enough be safe, but it is to be advised only when the creditor is capably represented on the ground by a permanently established local agent. Such an agent must be depended on to adjust complaints immediately and to secure prompt remittances on due dates. In the absence of a local agent, open account business in foreign markets is almost certain to involve greatly belated remittances and some losses. At any rate, it is sure to prove a severe strain on the patience and temper of the American.

### *(c) Documentary Bills of Exchange*

We may now appropriately inquire as to those long credit terms of which we have heard so much as extended by European manufacturers to their foreign customers, very especially by the Germans to Latin-Americans. But, if our critics and self-appointed advisers only knew it, far more impressive examples are to be found among the big

English exporters. It is true that in the large lines of trade, in German woollens and in English cotton goods, for example, long, almost indefinite credits are often extended. Without exception, however, they are the outgrowth of long years of intimate business relations on a big scale, of personal acquaintance, and a thorough, intimate knowledge of the debtor's business and his financial abilities. Business of this sort between two houses may easily run from \$50,000 to \$250,000 a year and, if closed at all, it is by acceptances bearing interest, of course, and subject to renewals at the will of the debtor. Indefinite terms are often made in such cases. This is particularly true in countries like Argentina and Brazil, of unstable currencies, where fluctuations of exchange may involve an extra cost of hundreds of dollars in forced settlements on set, prearranged dates. These old and good customers, therefore, virtually remit when they please, taking advantage of favorable turns in exchange rates. There is nothing extraordinary about this sort of business. American manufacturers in some lines, agricultural implements, for example, also grant liberal indulgences to big and trusted customers.

So far as the general run of business is concerned, German, British, or other European practices in exporting differ little, if at all, from the custom of old, experienced American exporters. All, alike, usually make sales subject to drafts accompanying order bills of lading. In some cases it may be that Germans draw four, five, or six months' drafts where Americans hitherto have been restricted by our banking rules to three or four months' drafts. But to any really first-class customer the difference between three months and four or five months assuredly is not vital as determining the address of an order.

The criticism of American failure to extend credit applies almost exclusively to our newer, inexperienced shippers, whose practices will undoubtedly grow in liberality with experience. While these shippers may be numerous, the volume of their business certainly does not compare with that of older exporters, though not necessarily larger houses. The author is often tempted to point out to our amateur critics the credit terms extended by one of the big American manufacturers of sewing machines. This concern sells its wares on the installment plan in every nook and corner of the civilized world. This system, now applied in so many branches of trade, was invented by the sewing machine company in question, and has been adopted by many other trades and extended with satisfactory results, to countries where British and German merchants, claiming infallibility through long residence, predicted disaster.

But what many of our manufacturers have yet to learn is how to carry on the documentary foreign draft business safely, how thus to give customers the benefit of delayed payments while reimbursing themselves immediately, and risking little if anything. This sounds paradoxical. It is not only possible, but for generations has been the established, everyday practice of exporters both of the United States and Europe.

*Issuance of Foreign Drafts*—In our study of Bills of Lading we have seen that transportation companies will not deliver goods carried by them except against presentation of a proper bill of lading proving rightful ownership. We have seen that through so drawing the bill of lading as to make delivery to order, the shipper retains delivery of the goods in his own hands and may transfer ownership by endorsement. A similar practice prevails

as to the protection afforded by certificates of marine insurance.

Now, a shipment of merchandise protected against loss by the liability of the carrier, subject to the terms of its receipt, plus suitable marine insurance for full value, represents valuable security on which bankers engaged in international business are quite willing to advance money. This is, in fact, the very basis of their business. Hence, if A, B, X & Co. of New York have a shipment of goods going forward to C, D, Z & Co. of Rio de Janeiro, an order bill of lading is secured from the steamship company and a certificate of insurance from the underwriters, both are endorsed in blank, making them the property of any one who may hold them. Incidentally, it may here be remarked that due respect should be paid to these negotiable papers. They are not to be carelessly handled.

A draft, or bill of exchange, as it is frequently called, is now drawn in duplicate (again "to the order of ourselves") against the foreign customer. Here is another "bearer" document when endorsed in blank. These several papers—a full set of the negotiable copies of the bills of lading, the certificate of insurance, the draft in duplicate (known as First and Second of Exchange), together with duplicate copies of the invoice and possibly such other papers as packing lists—are presented to a bank making a specialty of foreign exchange and sold to it if it cares to undertake the proposed business.

While the drawer of the draft, *i. e.*, the shipper of the goods, obtains spot cash for the full value of the draft, yet the "sale" is not without recourse. If the drawee, the man who has ordered the goods and their consignee, fails to meet the draft, the shipper will have to refund to the New York bank which originally bought the draft the



full amount advanced plus cable, postage, and protest charges. The bank is protected in thus advancing cash on such documents by the control of merchandise, amply covered by insurance, and by the signature of the drawer.

It is the latter's responsibility that counts for most. Any business house which enjoys a good rating in either of the two principal commercial reporting agencies of this country can without trouble sell to foreign exchange bankers unlimited amounts of foreign drafts of legitimate character, when accompanied by the documents described. Scant attention, usually none at all, is paid to the standing of the foreign consignee, except in special cases involving peculiar circumstances—cargo not readily salable if refused in a foreign port, or unusually large amounts of money.

*Course of the Draft.*—This is what happens to a foreign draft thus sold to New York bankers. One full set of all the accompanying documents is sent by first mail and a full set of the duplicates by next succeeding mail (to guard against possible loss) to the bank's London correspondent. By the latter the full sets are forwarded to its correspondent in the city of destination. The banker at that point surrenders the documents and gives possession of the goods to the consignee when the latter fulfills the terms of the draft and not before.

If settled satisfactorily, the transaction is closed; if the draft is refused, the local bank cables the fact, holds the shipment, and awaits instructions. The drawer of the draft—the shipper in the United States—has to refund the money advanced and give instructions as to the disposal of the goods. He may order them returned to New York, reshipped to some other destination, turned over to consignee without payment of the draft, sold at

auction, or otherwise proceed as he may see fit. If the shipper refuses to refund to the New York banker the money advanced, the latter will probably enter suit, meanwhile ordering the holding bank at port of destination to realize on the goods at once to best advantage, crediting in due course the proceeds obtained abroad and prosecuting for the balance due.

*Risks in Foreign Drafts.*—Obviously a certain risk is incurred by manufacturers in shipping goods subject to draft unless consignees are well and favorably known to them. Charges on refused goods that have to be returned are always unexpectedly heavy. Indeed, frequently enough shippers prefer to take their chances in ordering the holding bank abroad to sell the goods for what they will bring, rather than pay return charges and expenses. Many cases appear from time to time of orders placed by foreign concerns which succeed in persuading manufacturers to ship subject to draft, only on one excuse or another to refuse the draft when presented. These very dealers buy in the self-same goods when sold at auction for a small fraction of their value, much less than the price originally contracted for. No such terms, therefore, must ever be granted to any but high-class customers on whom the best of reports have been obtained. With the latter little risk is incurred, because in every importing market the reputation of merchants depends on the prompt and satisfactory manner in which they honor drafts drawn against them more than on any other consideration. The banks in most foreign markets take the place of our Dun's and Bradstreet's, and the importer who allows even one apparently legitimate documentary draft upon him to go to protest finds his commercial reputation immediately ruined.

*Kinds of Drafts.*—It is in the use of certain forms of drafts that it becomes possible for the manufacturer, while obtaining prompt cash for the goods he ships, at the same time to extend credit to his customer. Drafts may be drawn payable at sight or at 30, 60, or 90 days after sight—less frequently after date. In the case of sight drafts bankers demand payment upon presentation and at once hand over the bills of lading, yielding possession of the goods. But drafts drawn payable at 30 or any other number of days after sight may be subject to two conditions. private or separate instructions may be given to bankers when selling the drafts to deliver bills of lading to consignee (drawee) only upon payment of the draft; or to surrender those documents and give possession of the goods when the drawee “accepts” the draft. Drafts under which accompanying bills of lading are not to be given up until the money is paid (known as “D. P.”—documents for payment) are seldom drawn at any considerable number of days after sight. They may be so drawn in order to allow sufficient leeway in time for cargo vessels, naturally much slower than mail ships, to arrive with the goods and thus make payment virtually on arrival of the goods. It may be remarked, however, that although a sight draft is supposed to be presented immediately upon receipt, the practice of banks in many markets is to hold such sight drafts until arrival of the ship bringing the goods.

The extension of the practice of drawing on customers at 30, 60, 90, or more days after sight, with instructions to bankers to deliver bills of lading upon acceptance of draft (commonly referred to as “D. A.”—documents for acceptance) gives foreign customers actual credit terms. When such drafts are accompanied by instructions to give

up the bills of lading as soon as the consignee has accepted the drafts, the consignee obtains the goods immediately upon their arrival and is not obliged to pay for them until some time later. When drafts of this sort are presented by local bankers the drawee accepts them by signing his name across the face with date. They then become promissory obligations falling due at the stated number of days after date of acceptance. Obligations thus incurred are pretty sure to be taken care of in due course by all reputable houses, unless, of course, financial disaster intervenes. In many countries laws specifically protect makers of such drafts against default in payment after acceptance. In countries so widely separated as Egypt and Chile, for example, permitting an accepted draft to go to protest is regarded by the laws as a confession of bankruptcy, and proceedings may follow without other formalities.

*Charges on Drafts*—In connection with the negotiation of any foreign drafts there are, of course, certain charges and expenses that have to be paid. These include, for example, bankers' commissions, postage, and interest. Who pays them? The foreign customer must, and that understanding should have been arrived at before the order was accepted or shipped. The easy way, and the one frequently employed, is to stipulate in making all quotations that prices named in money terms of the United States will be converted into pounds sterling, when shipment is made, *at the day's rate* (for such exchange as is required) *ruling in New York on date of shipment*. Now, the quoted rates of exchange, fluctuating from day to day, include interest and all bank charges. If a rate of \$4.85 is named for a sight draft, the rate for a draft payable 30 days after sight will probably be something like \$4.83 to the pound sterling.

Before a draft is actually drawn, inquiry in the exchange market is made to find what bankers are open to buy a draft of a certain description, and which one offers the best rate. Some offer is accepted by the shipper and the invoice value of the goods in dollars is converted into sterling at the agreed-upon rate. When presented to the banker in due form, draft and all documents complete, the shipper receives exact face value for his invoice in dollars, although the distant customer will pay in pounds, shillings, and pence (or the equivalent in his national currency), and his payment covers the interest and other charges. If this program is not followed, the unavoidable costs should be added to the total invoice value and thus collected—always, of course, under prior agreement with the customer.

## 2. FOREIGN EXCHANGE BROKERS

All large and regular export shippers in New York habitually employ foreign exchange brokers in marketing their bills of exchange. They find their services profitable as well as labor-saving. Better rates of exchange are thus frequently obtainable, because the brokers offer bills to a number of bankers, and requirements of certain bankers for exchange on a given market, or for a certain kind of bills, may induce from them better offers than other bankers would be willing to make for the same bills on the same day. One banker may have a surplus of bills on a given market from a certain shipper and wish to buy no others from him, while the reverse condition may be the case with that banker's competitors in the foreign exchange market.

Manufacturers and shippers at interior points some-

times labor under a slight disadvantage in selling their foreign drafts, owing to their practice of forwarding such documents through their local bankers. The latter, as a rule, know nothing at all about foreign exchange, and if persuaded to cash a manufacturer's foreign documentary bills, they treat the transaction as an ordinary loan, charging advances against the manufacturer's regular line of accommodation paper and restricting by so much facilities which the manufacturer may require for the conduct of his domestic trade.

Expenses are thus also increased, for the inland bank will send the documents to its regular New York correspondent. The latter may have no foreign exchange relations and be obliged to send the papers to another New York bank which makes a specialty of foreign exchange. The best rates of exchange are not obtained in this fashion and there are two unnecessary bank commissions to be paid. Direct connections may be made by any well-rated manufacturer with New York foreign exchange bankers. It is encouraging to know that interior bankers are beginning to establish their own foreign exchange departments doing business direct with corresponding banks in some of our principal foreign markets. It is devoutly to be hoped that this practice, inaugurated by banks in Detroit, Chicago, and Cincinnati, will be rapidly extended.

The practice just referred to of inland banks' treating foreign documentary drafts as they would an ordinary domestic draft is indefensible and manifests a misunderstanding which, with manufacturers as well as bankers, ought to be cleared up. Many manufacturers are accustomed to draw what we call drafts on delinquent debtors, and such drafts are not usually very seriously regarded either by maker or drawee. No disappointment, even no

surprise, is manifested when such drafts are returned unpaid. A documentary draft, especially a foreign draft accompanied by shipping papers, is a radically different operation, by no means to be confused with the other domestic practice just referred to. The hypothecation of valuable securities in the way of merchandise amply protected by insurance, which is virtually what the foreign documentary bill of exchange represents when sold to bankers, is a totally different thing from drawing an ordinary draft on a debtor. While strange to some manufacturers, the process of collecting for shipments of goods through draft attached to documents is well known in one or two lines of trade right here in the United States. If satisfactory arrangements cannot be made with local bankers, the matter should be taken up directly with foreign exchange houses.

### TEST QUESTIONS

- 1 Explain "long credit" as used in foreign trade.
- 2 Who should pay for the privilege of long credits? In what way?
- 3 What is meant by securing confirmed credit?
- 4 Why do American exporters frequently secure bank credits in London rather than in New York?
- 5 What are the advantages of confirmed credit?
- 6 What is meant by the Oriental "letter of credit"?
- 7 Explain how export goods are sold on open accounts.
8. What is meant by documentary bills of exchange?
- 9 How does the foreign draft differ from the domestic draft used in making collections from delinquents?
- 10 Explain the issuance of foreign drafts.
- 11 What risks are involved in the use of foreign drafts?
- 12 Explain "D. P." and "D. A." drafts.
- 13 What kinds of foreign drafts are issued?
- 14 What services do foreign exchange brokers render?
- 15 How do many inland banks treat foreign drafts?

## CHAPTER XVI

### AMERICA'S OPPORTUNITY IN THE MARKETS OF THE WORLD

#### 1. INTRODUCTION

Europe's industries, paralyzed by the greatest war in history, can no longer supply necessities, comforts, luxuries, to millions of people in neighboring lands, to other millions in distant parts of the world. What shall American manufacturers make of their opportunity to supply their goods in place of European goods? Shall we timorously sit back in our office chairs and wait for the strange buyer to present himself, hat in one hand, letter of credit in the other, begging us kindly to let him have a few little things that are imperatively needed to keep his business going? Shall we blunder out into the unknown world of foreign commerce, without comprehension, thought, or study, without wisely laid plans, without determination to surmount difficulties, without a large reserve stock of patience? Shall we reach out eagerly for all we can get at the moment—and straightway forget all about it? Or shall we plant a new flag in many a strange market and diligently, intelligently, proceed to fortify our positions against competitors who, one day or another, are certain to challenge us? These are questions that loom large before American business men today.



## 2. AMERICA'S DUTY

Duty, no less than opportunity, confronts us—a duty which it is by no means impossible may call for sacrifices from us. Let no Pharisee sneer at the phrase What does it mean that for some weeks after the outbreak of the war in Europe not one pound of European freight arrived in Cuba and no shipments were afloat? What, except that our little neighbor must depend on us for most things—for the things that make life worth living no less than the things that make life possible.

Other countries, dozens of them, scores of them, countries to the south of us, countries on the other side of the globe, countries in Europe, even, and colonies of European nations, are in the same condition. Foodstuffs must be had, true; but so must coal, for winter comfort here, to appease the boilers' appetites there. Machinery and grease to keep factory wheels going, woollens, cottons, silks, that people may be clothed. Shoes wear out, and the Cape Town shopkeeper who earns bread and butter for his family must, sooner or later, replenish his stock that his morrow's bread and butter may be sure and his customers be shod. The shoe factory in Brazil or Australia must have leather, else entail suffering on scores and hundreds of its workpeople, their wives, sons, and daughters; nails and locks are needed, that half-built houses and shops may be finished, and carpenters saved from the almshouse; plows and harrows, forks, hoes, rakes and spades, reapers and threshers must be had, that famine may not invade the land.

Where else than to the United States shall the people of Central and South America turn? of Japan, China and India, Australia and South Africa, the islands of the

eastern and the western seas? Picture the ruin that would follow the absolute cessation of commerce in these lands that are practically dependent on the outside world for manufactured goods! Is it not Duty that confronts us?

### 3. FOREIGN NEEDS

It is hard, perhaps, for many of us to realize what the shutting off of supplies might mean in some of these lands, yet even we of the United States are not, cannot be entirely self-supporting. Ask the man who makes the socks you wear about his supply of dye-stuffs. Shoes for Brazil? Why don't they make them themselves? They do, in large part, but their shoe factories must shut down unless thousands of cases, rolls, bundles, of upper and sole leather are forthcoming from *somewhere* before many months elapse, unless the innumerable supplies that any factories require are at hand for immediate use. All of these things Brazil has bought and must buy from oversea manufacturers, because they are not and cannot at present satisfactorily be produced in Brazil. For months to come Germany and Austria will not be able to manufacture a dollar's worth of upper leather; could not ship the leather to Brazil or to any other country if they had it to ship. Little, if any, can be shipped from France for long weary months to come. British tanners of splendid oak sole leather will have all or nearly all they can manage, with reduced forces of workers, in supplying the home market and the extraordinary demands of several hundred thousand British soldiers in rough field work. Then where shall Brazil, where shall Australia, where shall every other country

where shoes are made obtain leathers of all sorts, if not in the United States? From Spain, Italy, Holland, Scandinavia? But these are not large manufacturers of leather. Even in normal times they get most of their own supplies from their neighbors or from this country.

What is true of leather is true, also, and in many cases far more emphatically true, of almost every sort and kind of goods that is made in the United States. Leather is only one illustration out of ten thousand. Europe cannot supply what is wanted, or at best, not all that is wanted. We of the United States must supply what we can. Some buyers will come to us—if we starve them to it. Others we must seek out. In every case we must so offer our goods, and thereafter so handle our customers that our introduction will lead to friendship, intimacy, marriage, that American goods and American trade relations will for years to come be predominant in every market.

#### 4. PESSIMISM *vs.* OPTIMISM

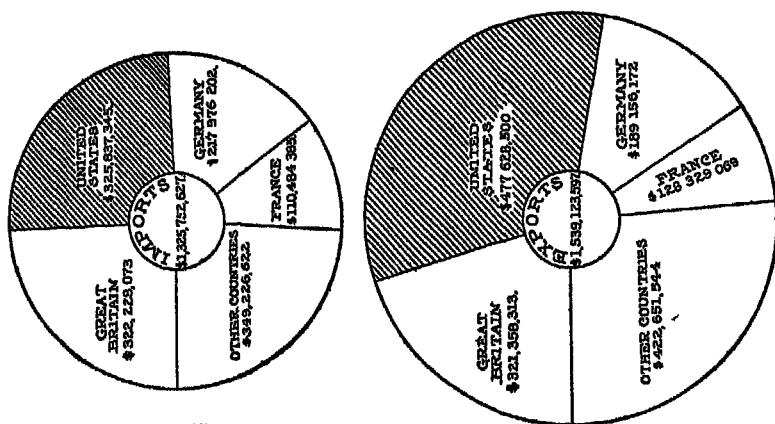
When Europe suddenly exploded into war the whole press of the United States predicted the most dire results. On all sides we read learned dissertations on the awful economic waste in the destruction of capital and property, which could not fail to affect the United States, as well, in the most disastrous fashion. Enormous trade losses in Europe were pointed out to us; our whole industrial fabric, one might have thought, was about to be rent into shreds.

All at once somebody opened his eyes to the other aspect of our future, both immediate and distant—our opportunity in neutral markets. Presto! the tone of our

reporters and editorial writers changed, and we heard only of our wonderful possibilities. Manufacturers by the hundreds suddenly came to the conclusion that they would like some of the fruit that they hear is on the point of falling into someone's lap. Go after it? Spend money on a systematic campaign for new business? But few of them cared to do this. A thousand men, young

## LATIN-AMERICA COMMERCE-1913

TOTAL \$ 2,864,876,224



PAN AMERICAN UNION

FIG 52—A Fighting Chart for American Business Men

and old, were moved to confess that for several years they had cherished the notion that export trade was just exactly suited to their special abilities, and now they believed they would take some good line from a big manufacturer and settle in Buenos Aires. They would be obliged for an address of such a manufacturer. Speak Spanish—know anything of Latin-American character

# LATIN AMERICAN FOREIGN TRADE 1913

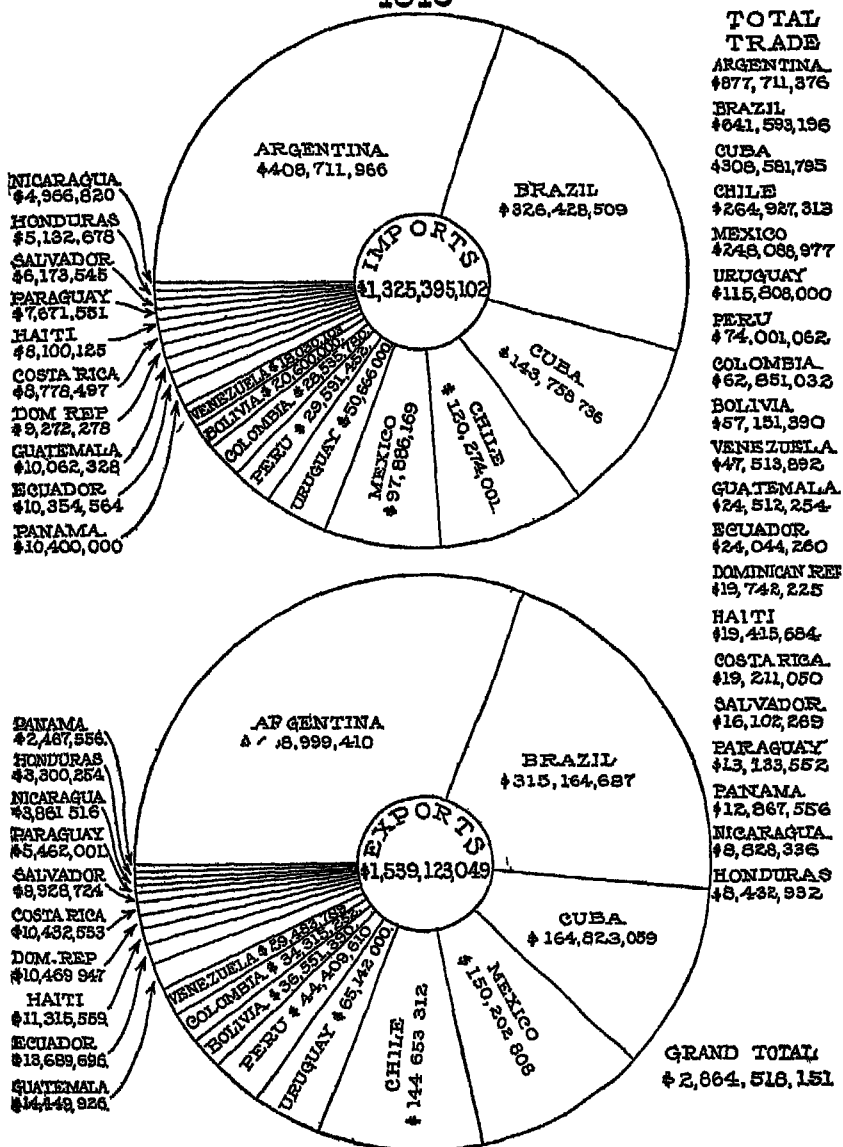


FIG. 52.—Continued

and conditions? No, was that necessary? The pendulum swung too far from pessimism, far over the maximum optimistic mark to the outer margin of frenzy

## 5. FINANCING PROBLEMS

Croakers continued, nevertheless, and we were asked: "Where are you going to get your money for the goods you expect to sell?" For some time this was a serious question. The disruption of the international exchange markets of the whole world operated to curtail shipments. Large quantities of goods previously ordered and ready for shipment could not be dispatched because no means of financing the invoices through bankers were available. For many weeks after the outbreak of the European war, drafts on London were practically the only bills of exchange that could be sold in the New York market. It was equally difficult to put money into foreign markets and to take money out of them. The general effect on our export trade may be illustrated in the following account of actual conditions.

A New York export commission house had eight hundred packages of dry goods, valued at \$60,000 or \$70,000, ready to go forward to customers in the Philippines who had ordered them long before. The manufacturers of the goods were clamoring for their money. A well-known shipowner had a steamer loading for Manila and was anxious to carry those eight hundred packages, needed them, in fact, and a lot more, to fill up his vessel. The whole transaction was held up because the exporters could not sell their draft on Manila; could not pay the manufacturer until such a draft was sold; were unwilling to forward even to old trusted customers without draw-

ing a draft, because they were not capitalized to swing a business involving many similar transactions.

Some foreign customers of American manufacturers took advantage of the difficulty, the high cost or the claimed impossibility of remitting to New York, to demand extensions of credits or shipments of goods previously ordered on open account. Yet, buyers who were really anxious for goods found, as they always will find, means of paying for them. For example, a man in the Far East ordering \$3,000 worth of goods from a New York exporter sent with his order ten international post-office money orders for \$100 each, or a total remittance of \$1,000 in advance, which he was able to buy without trouble and much more cheaply than he could buy bankers' drafts on New York.

Little by little the exchange situation was cleared up and within a few months it became possible for well-rated concerns in the United States to sell their bills of exchange on almost any market in the world in the usual way and on favorable terms. A tremendous flood of orders for all sorts of supplies required by certain European governments for their armies in the field and by other governments in their preparations for defense or offense, resulted in an extraordinary fall in the rates of exchange for pounds sterling, francs, and other European currencies, reaching points almost or quite unprecedented in history.

Shipping conditions complicated the situation. The enormous volume of all sorts of supplies requiring transportation to Europe, ranging from cloth for army uniforms to automobile trucks and many thousands of horses, made heavy demands upon tonnage. The withdrawal from shipping facilities of more than 2,000 ves-

sels, partly commandeered by the British and French governments, partly destroyed at sea or captured by enemies, and partly consisting of German vessels interned in neutral ports, enormously reduced shipping facilities. The diversion to the North Atlantic routes of a large part of the available remaining tonnage resulted in exorbitant freight rates on these lines, and vessels in other trades demanded similarly enhanced rates.

We are an impatient as well as an impetuous people, we Americans. Just one month after the outbreak of the European war we began to wonder. "Where is that export business we have been told would be coming our way?" September was not a week old when we read a column head in the *New York Evening Post*, "Steel Trade Less Cheerful—Pittsburgh Disappointed Over Export Orders", and again, "With Low Cotton, Mills Cannot Understand Why No Foreign Orders Are Arriving." But nations do not (because they cannot) stop stock-still. Industry must go on, or incalculable suffering results. Warehouses do not perennially and eternally maintain themselves brim full and running over—the biggest stocks are depleted in a month, three months, six months.

So it was by no means unexpected from the viewpoint of conservative students of the situation that week after week and month after month passed before actual orders began to make themselves felt from other sources than the belligerent European governments. True, there came a veritable inundation of inquiries regarding what the United States could offer to take the place of goods formerly purchased but no longer available from manufacturers in certain European countries which were stopped from making or shipping further supplies by the course



of the war. Yet these inquiries were not followed immediately by a similar volume of actual orders. This was the perfectly natural, indeed inevitable, course of business. No new business, foreign or domestic, is usually big at the outset. It was not and it is not to be expected that importers in foreign markets will shift from German, French, Belgian, or other goods which they know and like to unknown, untried American goods, probably somewhat unlike those of European origin, perhaps costing a little more money, until those buyers have been thoroughly convinced that old and favorite goods are no longer to be obtained and until their stocks of the old goods are so depleted that they dare not wait longer.

It is always the case that export orders are small at the outset, because the new goods must be tested. Succeeding orders are usually small, for buyers must learn that they can confide in the honest treatment they will receive from a new source of supply, must learn by experience that the American manufacturers will ship exactly what is ordered and will ship the same goods the second time as the first and not "something better."

It was eight months from the outbreak of war that merchants in other countries actually began to feel the imperative necessity of replenishing stocks and that orders began to reach American exporters for goods which had never before appeared in our export trade. For virtually the first time, our window glass and plate glass, for example, began to be shipped in large quantities to Australasia, to South Africa, and to the River Plate markets. From widely separated points there began to arrive orders for sample lots of new goods, coupled with the report, "Our stocks are virtually exhausted—we shall have to get goods from somewhere."

Meanwhile, the re-establishment of banking relations had proceeded apace and the credit of old-established customers of American exporters had been rehabilitated. While the extension of credit continued to be safeguarded most strictly and in many instances unusually severe terms continued to be imposed, yet this result was recognized the world over as inevitable and as justified by the extraordinary conditions. The re-adjustment of credit terms, previously grossly abused in some cases, was actually welcomed on all sides. It is highly doubtful if there will be a return for years to come, if ever, to the unwarranted and unsafe methods introduced in certain markets, especially in the piece-goods business, by some of our European competitors.

#### 6. REDUCED RESOURCES OF FOREIGN BUYERS

Economists point to the immense loss of trade that the best of the South American countries must experience through the cutting off of the European markets for their native products. Brazil, for example, with the German market closed, will lose one of her best customers for coffee, tobacco, hides, rubber, etc. Germany paid Brazil over \$50,000,000 for these things last year. Brazilian exports to the other European belligerents will be sadly curtailed, to say the least. Sales to Austria, for example, of something like \$20,000,000 a year will be lost. So the Brazilians will not have so much money to spend as before.

Moreover, Brazil, as a nation, is habitually hard up; it is asserted that since she became a republic her budget has never met expenditures. Negotiations for another loan in Europe and the United States came to an abrupt stop with the outbreak of war in Europe. Moreover, it seems extremely doubtful if the government issue of

\$135,000,000 in paper money, which has been reported as a measure just taken to help her out of present perplexities, will assist commerce materially

Argentina, too, is in a bad way; crop failures and the over-extension of credit in boom times have resulted in serious depression. Some of the largest and richest business houses in Buenos Aires have had to ask extensions from their European and American creditors.

Is it worth while attempting to get business in Brazil and the Argentine Republic in view of such conditions? It surely is, for many millions of dollars' worth of goods must still be purchased—and whatever direction the orders take, those goods must be paid for on the best terms available. No people can simply sit down, fold their hands, and do nothing. Factories must run, even if on half time. Men must live and be clothed; will insist on some comforts, luxuries, fun, even in the worst times. We are talking of the trade of a nation, not of a petty crossroads shopkeeper; of commerce that amounts to hundreds of millions of dollars a year.

#### 7. OUR SHARE OF REDUCED TRADE

Take a specific illustration. Automobiles may be called luxuries; at least in times of panic it is reasonable to expect that comparatively few will be bought. What is the force of *comparatively* in this connection? In 1912, the last year for which detailed statistics are available, Brazil imported automobiles to the value of \$5,368,650. Purchases from the United States amounted to \$924,045, from Germany \$1,526,018, from France \$1,470,795, from England \$317,873, from Belgium \$186,216. Let us suppose that Brazil feels poor next year and economizes in automobiles. Of the cars she does buy a smaller pro-

portion than formerly will be made in England, a still smaller proportion in France, and none at all in Germany. In these countries the production of automobiles for export will be greatly curtailed or entirely stopped by a shortage of labor owing to the vast number of men of all classes drafted into the armies, and the unusual demand for automobiles for army use.

At the very worst imaginable, Brazil must this year buy half of her recent average imports, or say \$2,500,000 worth of motor cars. Germany can not get one cent's worth of this trade, so that we may count for ourselves the share that Germany would have had in this future trade of Brazil (which we are counting as only half her previous trade), say \$750,000. Now, further suppose that France, England, and Belgium will be able to contribute some cars, but not so many as hitherto, to the halved future trade of Brazil. Suppose they can supply three-quarters of their previous proportion of Brazil's imports. Divide our own former trade with Brazil by two, and let us see what our prospect for next year amounts to. Half of our old business, \$500,000; plus all of Germany's share, \$750,000; plus one-quarter of the possible future proportions of France, England, and Belgium, \$500,000; total \$1,750,000 worth of automobiles—nearly double our existing business—which American manufacturers ought to sell to Brazil under the worst imaginable conditions. Of course, this is conditioned on the assumption that our manufacturers are willing and able to present their cars and to demonstrate that they are worth the buying.

These assumed reductions in the possible import trade of Brazil in automobiles have been purposely exaggerated to paint the picture in the darkest colors pos-

sible. It is inconceivable that Brazil's trade should be thus cut in two. No one who knows the Brazilians will be willing to agree that the figures could be thus cut down. Throughout Latin-America, wherever there is a road that a motor car can travel or even a mile or two of paved town streets, some natives will buy cars if they have to drive them barefooted and part with their last dollar to get them.

Let our automobile manufacturers add to possible Brazilian trade a share of Argentina's \$5,000,000 of automobile imports—\$1,269,735 from the United States, \$2,350,000 from France, \$820,000 from Germany. Scale this total down in the case of Argentina, as we did with Brazil, to harmonize with hard times, and the most pessimistic must acknowledge that it begins to look as if there is still hope in the export trade for American manufacturers of automobiles. Besides, we have to remember that there is a share of the trade for us to capture in eighteen other Latin-American republics south of the Rio Grande. Times are good in some of them and in some the motor car business is beginning to assume prime importance.

What seems to be true of the automobile business is certainly true, also, in greater or less degree, as to every other line. Commerce in no country will be dead, no matter what depression may prevail, no matter how lifeless it may seem, it will still run into hundreds of millions of dollars.

## 8. THE WORLD MARKETS

The attention of most Americans is turned chiefly to Latin-America as a potential market for us. Big and rich

as are some of those markets, it should not be forgotten that there are others peculiarly inviting. For sentimental reasons, if for no others, Australia, New Zealand, South Africa, India, British possessions all, will buy no German or Austrian goods to speak of for several years to come. Germany's trade in Japan and China is likely to languish, long after German factories are able to offer their products for export. Spain, Norway, Sweden, Denmark, Italy, Switzerland, Turkey, and Egypt are beginning to inquire what they can get in the United States that will replace the German goods they have been buying of late. These markets are equally as big and attractive, to say the least, as those of Latin America, which have been so widely and so effectively advertised to us.

It is probably unfortunate that such mistaken popular impressions prevail as that South America is nearer to us than to Europe; that her markets should legitimately be ours; that there is or can be such a thing as "pan-Americanism." The principal markets of South America, especially Brazil, Uruguay, and the Argentine Republic are actually nearer to Europe than to the United States. There exists no reason for fancying that they or any other South American countries are legitimately our customers. In language, psychology, habits, all are radically unlike us. Although called republics, the form of government in all these states is as much opposed to ours as ours is to the Kaiser's. If we want to gain trade in Latin-America it must be accomplished by dint of hard and especially intelligent effort. Meanwhile let us not forget the existence of other equally attractive markets which are even more favorably disposed to give our wares fair consideration.

## 9. KINDS OF GOODS AVAILABLE

To be sure, we can not often, indeed we can seldom, offer to replace German or any other goods by precisely identical articles. But one make of German automobile differs from another; no two American manufacturers turn out exactly the same gasoline engine; each individual brand of boots and shoes has its own characteristics. In supplying stocks of new goods to our new customers we shall have to give them the best we make—that which will most satisfactorily fill the shelves where once reposed slightly different products of European factories. We cannot always name as low prices as these new customers have been wont to pay. None the less, American goods will be bought, because there remains no other great manufacturing nation to supply the world's requirements. The greatest value to us of the present crisis lies in our chance to prove the desirability and the advantages of our special wares, whether at higher or lower prices than others.

What new lines have American manufacturers now, for the first time, a real chance to introduce into foreign markets? There is our whole textile trade, which ought, so far as the physical limitations of our factory and trade systems permit, to gain a footing hitherto impossible. German woollens and worsteds, some of the English products in the same lines, are now unprocurable. No matter if our Latin-American correspondents prefer widths on the metric system, if they can no longer buy them, they must accept our inch widths. Our silk mills have known for several years past that some of their qualities were well suited for certain foreign markets; they, and others, may now establish themselves where be-

fore competition made it difficult and costly. In our cotton piece-goods we shall now have a chance to place something else than heavy drills and sheeting, a little duck and cotton flannel. The big chance is for our prints. If American manufacturers of prints can only be persuaded to meet buyers half way there will result an addition of many millions to our annual export statistics.

American wines, drugs, hardware, and agricultural implements may now, perhaps, have opportunities for business vastly greater than have ever before been known. But why attempt to list the whole range of our industry? New lines not hitherto known outside our own country will benefit by the extraordinary, unprecedented condition of to-day.

#### 10. THE OPPORTUNITY

The figures of the commerce lost to the belligerent nations of Europe are stupendous, almost beyond belief. Germany's trade, of course, is most conspicuous. In 1913 Germany's exports amounted to \$2,478,150,000. Following August 1, 1914, it dwindled to a few paltry thousands. Someone else must now supply \$390,000,000 worth of textiles which Germany has been shipping all over the world. A goodly portion of the \$138,000,000 worth of leather exported annually from Germany must now come from other sources. Machinery and electrical devices have counted for \$285,000,000 a year in German export statistics. To-day this appears as a frightful sacrifice and loss which may never be regained from manufacturers of the United States, if we seek it right and handle it right, once we have secured it.

Wise planning, cool, far-sighted strategy is called for



in meeting the greatest emergency in history, commercial no less than political. Study and thought must be given to what appear to be magnificent chances to expand our business, patience, persuasiveness, persistency are essential. But above all, let every man avoid even the suspicion of rejoicing over the chances that have come to us through Europe's awful cataclysm. Yet, much as we may regret the moral setback of the whole world to conditions of the Middle Ages and the terrible shedding of human blood, it would be criminal of us to neglect our commercial opportunity; cowardly to shirk the duty that is imposed on the United States of America as, to all intents and purposes, the sole remaining possible source of supply for most of the things that other nations urgently require.

Finally, let us not forget the tremendous commercial as well as financial opportunities, and the real Duty that will confront us in an exhausted Europe after the conclusion of peace. Manufacturers and financiers, as well as humanitarians of the United States, must look solemnly beyond the perplexities of the hour to the obligations the not-distant future is surely bringing. It is a time for cool heads, careful calculation, conservative and wise aggressiveness.

### TEST QUESTIONS

- 1 What effect has the European war had upon industry?
- 2 In what sense does America owe a duty to the world?
- 3 Explain how American pessimism at the outbreak of the war was turned into optimism
- 4 Show how the war has tied up shipping finances
- 5 Why in the face of financial difficulties should America try to gain a strong foothold in foreign markets?
- 6 Explain how the purchasing power of many neutral markets has been reduced as a result of the war

7. In the face of reduced foreign trade is America's outlook helpful? Why?

8. What world markets are open to the United States?

9. What classes of American goods are especially needed in foreign markets as a result of the war?

10. What are some of the chief items in the trade suspended with Germany?

11. Why will Europe not be able to resume immediately her former position in world trade after the conclusion of peace?

## SUGGESTIONS FOR FURTHER STUDY

### Port Conditions and Facilities

- Report of the Commissioner of Corporations on Transportation by Water in the United States* (Washington, 1912), 4 vols  
*Reports 1912 and 1913 of the Annual Meetings of the National Association of Port Authorities* (Calvin Tompkins, President, formerly of the Department of Docks and Ferries, New York City)

### Shipping, Historical Aspects

- A J Maginnis, *The Atlantic Ferry* (London Macmillan, 1900)  
 W S Lindsay, *History of Merchant Shipping* (London, 1874), 4 vols  
 Frederick Martin, *The History of Lloyds* (London Macmillan, 1870)  
 W L Marvin, *The American Merchant Marine* (New York, 1902)  
 Henry Frye, *History of North Atlantic Steam Navigation* (New York, 1896).  
 J H Morrison, *History of American Steam Navigation* (New York W F. Sametz & Co, 1908)  
 G H Preble, *History of Steam Navigation*.

### Shipping, Organization of

- J Russell Smith, *The Ocean Carrier* (New York, 1908)  
 J Russell Smith, *The Organization of Ocean Commerce* (Philadelphia, 1905).  
 Emory R Johnson, *Ocean and Inland Water Transportation* (New York, 1906)  
 Emory R Johnson, "Panama Traffic and Tolls," *Report to Congress* (Washington, 1912)  
 Frank Andrews, "Ocean Freight Rates and Conditions Affecting Them," *Bulletin of the Department of Agriculture* (Washington)  
 Douglas Owen, *Ocean Trade and Shipping* (Cambridge, 1914).

### American Merchant Marine

- Navigation Laws of the United States* (Washington Bureau of Navigation, Department of Commerce, 1911), with supplements containing amendments to date  
 "Revision of Navigation Laws," *The Nation's Business* (Washington, January 15, 1914)  
*Proceedings of the Committee on the Merchant Marine and Fisheries in the Investigation of Shipping Combinations*, with report (Washington House of Representatives, 62d Congress, 1913-14), 4 vols  
*Report of the Merchant Marine Commission with Testimony Taken at the Hearings* (Washington, 1905), 8 vols  
*Hearings before the Committee on the Merchant Marine and Fisheries on H R No 10500, a Bill To Establish a United States Shipping Board*, Washington, 1916, together with majority and minority reports of that committee, also hearings before the subcommittee of the Committee on Commerce, United States Senate, on H R No 15455, a revised bill of the same tenor  
 David G Wells, *Our Merchant Marine* (New York, 1882)  
 W L Marvin, *The American Merchant Marine* (See above.)  
 Royal Meeker, *History of Shipping Subsidies* (New York Macmillan, 1905)  
 Walter T Dunmore, *Ship Subsidies* (Boston and New York Houghton, Mifflin & Co, 1907)  
 W Bates, *American Marine* (Boston and New York Houghton, Mifflin & Co, 1898)  
 W. W Bates, *American Navigation* (Boston and New York Houghton, Mifflin & Co, 1902)

**Technique of Shipping and Exporting**

B Olney Hough *Elementary Lessons in Exporting* (New York, 1909).

*Exporter's Encyclopedia* (New York), annual volumes

William Gow, *Marine Insurance* (London, 1909) More elaborate and detailed books relating to marine insurance include Arnould, *Treaties on the Law of Marine Insurance and Average*, Lowndes, *Law of Marine Insurance*, Duer, *Law and Practice of Marine Insurance*, Duckworth, *An Epitome of the Law Affecting Marine Insurance*, Duckworth, *Law Relating to General and Particular Average*

Franklin Escher, *Elements of Foreign Exchange* (New York, 1913) More technical works on international exchange include Goschen, *Theory of the Foreign Exchange*, Clare, *A B C of Foreign Exchange*, Bagehot, *Lombard Street*

**Periodicals relating to shipping include**

*Fair Play* (London)

*Shipping World* (London)

*Lloyds Gazette* (London)

"*Shipping*" *Illustrated* (New York)

*Pacific Marine Review* (San Francisco).

# APPENDIX A

## SHIPPING BILL

[H R 15455]

An Act To establish a United States Shipping Board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries to regulate carriers by water engaged in the foreign and interstate commerce of the United States, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That when used in this Act*

The term "common carrier by water in foreign commerce" means a common carrier, except ferryboats running on regular routes, engaged in the transportation by water of passengers or property between the United States or any of its Districts, Territories, or possessions and a foreign country, whether in the import or export trade *Provided, That a cargo boat commonly called an ocean tramp shall not be deemed such "common carrier by water in foreign commerce"*

The term "common carrier by water in interstate commerce" means a common carrier engaged in the transportation by water of passengers or property on the high seas or the Great Lakes on regular routes from port to port between one State, Territory, District, or possession of the United States and any other State, Territory, District, or possession of the United States, or between places in the same Territory, District, or possession.

The term "common carrier by water" means a common carrier by water in foreign commerce or a common carrier by water in interstate commerce on the high seas or the Great Lakes on regular routes from port to port.

The term "other person subject to this Act" means any person not included in the term "common carrier by water," carrying on the business of forwarding or furnishing wharfage, dock, warehouse or other terminal facilities in connection with a common carrier by water

The term "person" includes corporations, partnerships, and associations, existing under or authorized by the laws of the United States, or any State, Territory, District, or possession thereof, or of any foreign country

**Sec 2** That within the meaning of this Act no corporation, partnership, or association shall be deemed a citizen of the United States unless the controlling interest therein is owned by citizens of the United States, and, in the case of a corporation, unless its president and managing directors are citizens of the United States and the corporation itself is organized under the laws of the United States or of a State, Territory, District, or possession thereof

The provisions of this Act shall apply to receivers and trustees of all persons to whom the Act applies, and to the successors or assignees of such persons

Sec 3 That a board is hereby created, to be known as the United States Shipping Board, and hereinafter referred to as the board. The board shall be composed of five commissioners, to be appointed by the President, by and with the advice and consent of the Senate, said board shall annually elect one of its members as chairman and one as vice chairman

The first commissioners appointed shall continue in office for terms of two, three, four, five, and six years, respectively, from the date of their appointment, the term of each to be designated by the President, but their successors shall be appointed for terms of six years, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he succeeds

The commissioners shall be appointed with due regard to their fitness for the efficient discharge of the duties imposed on them by this Act, and to a fair representation of the geographical divisions of the country Not more than three of the commissioners shall be appointed from the same political party No commissioner shall be in the employ of or hold any official relation to any common carrier by water or other person subject to this Act, or own any stocks or bonds thereof, or be peculiarly interested therein No commissioner shall actively engage in any other business, vocation, or employment. Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office A vacancy in the board shall not impair the right of the remaining members of the board to exercise all its powers The board shall have an official seal, which shall be judicially noticed

The board may adopt rules and regulations in regard to its procedure and the conduct of its business

Sec 4 That each member of the board shall receive a salary of \$7,500 per annum The board shall appoint a secretary, at a salary of \$5,000 per annum, and employ and fix the compensation of such attorneys, officers, naval architects, special experts, examiners, clerks, and other employees as it may find necessary for the proper performance of its duties and as may be appropriated for by the Congress The President, upon the request of the board, may authorize the detail of officers of the military, naval, or other services of the United States for such duties as the board may deem necessary in connection with its business

With the exception of the secretary, a clerk to each commissioner, the attorneys, naval architects, and such special experts and examiners as the board may from time to time find necessary to employ for the conduct of its work, all employees of the board shall be appointed from lists of eligibles to be supplied by the Civil Service Commission and in accordance with the civil-service law.

The expenses of the board, including necessary expenses for transportation, incurred by the members of the board or by its employees under its orders, in making any investigation, or upon official business in any other place than in the city of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the chairman of the board.

Until otherwise provided by law the board may rent suitable offices for its use

The Auditor for the State and Other Departments shall receive and examine all accounts of expenditures of the board.

SEC 5 That the board, with the approval of the President, is authorized to have constructed and equipped in American shipyards and navy yards or elsewhere, giving preference, other things being equal, to domestic yards, or to purchase, lease, or charter, vessels suitable, as far as the commercial requirements of the marine trade of the United States may permit, for use as naval auxiliaries or Army transports, or for other naval or military purposes, and to make necessary repairs on and alterations of such vessels *Provided*, That neither the board nor any corporation formed under section eleven in which the United States is then a stockholder shall purchase, lease, or charter any vessel—

(a) Which is then engaged in the foreign or domestic commerce of the United States, unless it is about to be withdrawn from such commerce without any intention on the part of the owner to return it thereto within a reasonable time,

(b) Which is under the registry or flag of a foreign country which is then engaged in war,

(c) Which is not adapted, or can not by reasonable alterations and repairs be adapted, to the purposes specified in this section,

(d) Which, upon expert examination made under the direction of the board, a written report of such examination being filed as a public record, is not without alteration or repair found to be at least seventy-five per centum as efficient as at the time it was originally put in commission as a seaworthy vessel

SEC 6 That the President may transfer either permanently or for limited periods to the board such vessels belonging to the War or Navy Department as are suitable for commercial uses and not required for military or naval use in time of peace, and cause to be transferred to the board vessels owned by the Panama Railroad Company and not required in its business

SEC 7 That the board, upon terms and conditions prescribed by it and approved by the President, may charter, lease, or sell to any person, a citizen of the United States, any vessel so purchased, constructed, or transferred

SEC 8 That when any vessel purchased or constructed by or transferred to the board as herein provided, and owned by the United States, becomes, in the opinion of the board, unfit for the purposes of this Act, it shall be appraised and sold at public or private competitive sale after due advertisement free from the conditions and restrictions of this Act.

SEC. 9 That any vessel purchased, chartered, or leased from the board may be registered or enrolled and licensed, or both registered and enrolled and licensed, as a vessel of the United States and entitled to the benefits and privileges appertaining thereto *Provided*, That foreign-built vessels admitted to American registry or enrollment and

license under this Act, and vessels owned, chartered, or leased by any corporation in which the United States is a stockholder, and vessels sold, leased, or chartered to any person a citizen of the United States, as provided in this Act, may engage in the coastwise trade of the United States

Every vessel purchased, chartered, or leased from the board shall, unless otherwise authorized by the board, be operated only under such registry or enrollment and license. Such vessels while employed solely as merchant vessels shall be subject to all laws, regulations, and liabilities governing merchant vessels, whether the United States be interested therein as owner, in whole or in part, or hold any mortgage, lien, or other interest therein. No such vessel, without the approval of the board, shall be transferred to a foreign registry or flag, or sold, nor, except, under regulations prescribed by the board, be chartered or leased.

When the United States is at war, or during any national emergency the existence of which is declared by proclamation of the President, no vessel registered or enrolled and licensed under the laws of the United States shall, without the approval of the board, be sold, leased, or chartered to any person not a citizen of the United States, or transferred to a foreign registry or flag. No vessel registered or enrolled and licensed under the laws of the United States, or owned by any person a citizen of the United States, except one which the board is prohibited from purchasing, shall be sold to any person not a citizen of the United States or transferred to a foreign registry or flag, unless such vessel is first tendered to the board at the price in good faith offered by others, or, if no such offer, at a fair price to be determined in the manner provided in section ten.

Any vessel sold, chartered, leased, transferred, or operated in violation of this section shall be forfeited to the United States, and whoever violates any provision of this section shall be guilty of a misdemeanor and subject to a fine of not more than \$5,000 or to imprisonment of not more than five years, or both such fine and imprisonment.

Sec 10 That the President, upon giving to the person interested such reasonable notice in writing as in his judgment the circumstances permit, may take possession, absolutely or temporarily, for any naval or military purpose, of any vessel purchased, leased, or chartered from the board. *Provided*, That if, in the judgment of the President, an emergency exists requiring such action he may take possession of any such vessel without notice.

Thereafter, upon ascertainment by agreement or otherwise, the United States shall pay the person interested the fair actual value based upon normal conditions at the time of taking of the interest of such person in every vessel taken absolutely, or if taken for a limited period, the fair charter value under normal conditions for such period. In case of disagreement as to such fair value it shall be determined by appraisers, one to be appointed by the board, one by the person interested, and a third by the two so appointed. The finding of such appraisers shall be final and binding upon both parties.

Sec 11 That the board, if in its judgment such action is necessary to carry out the purposes of this Act, may form under the laws of the District of Columbia one or more corporations for the purchase, con-



struction, equipment, lease, charter, maintenance, and operation of merchant vessels in the commerce of the United States. The total capital stock thereof shall not exceed \$50,000,000. The board may, for and on behalf of the United States, subscribe to, purchase, and vote not less than a majority of the capital stock of any such corporation, and do all other things in regard thereto necessary to protect the interests of the United States and to carry out the purposes of this Act. The board, with the approval of the President, may sell any or all of the stock of the United States in such corporation, but at no time shall it be a minority stockholder therein. *Provided*, That no corporation in which the United States is a stockholder, formed under the authority of this section, shall engage in the operation of any vessel constructed, purchased, leased, chartered, or transferred under the authority of this Act unless the board shall be unable, after a bona fide effort, to contract with any person a citizen of the United States for the purchase, lease, or charter of such vessel under such terms and conditions as may be prescribed by the board.

The board shall give public notice of the fact that vessels are offered and the terms and conditions upon which a contract will be made, and shall invite competitive offerings. In the event the board shall, after full compliance with the terms of this proviso, determine that it is unable to enter into a contract with such private parties for the purchase, lease, or charter of such vessel, it shall make a full report to the President, who shall examine such report, and if he shall approve the same he shall make an order declaring that the conditions have been found to exist which justify the operation of such vessel by a corporation formed under the provisions of this section.

At the expiration of five years from the conclusion of the present European war the operation of vessels on the part of any such corporation in which the United States is then a stockholder shall cease and the said corporation stand dissolved. The date of the conclusion of the war shall be declared by proclamation of the President. The vessels and other property of any such corporation shall revert to the board. The board may sell, lease, or charter such vessels as provided in section seven and shall dispose of the property other than vessels on the best available terms and, after payment of all debts and obligations, deposit the proceeds thereof in the Treasury to its credit. All stock in such corporations owned by others than the United States at the time of dissolution shall be taken over by the board at a fair and reasonable value and paid for with funds to the credit of the board. In case of disagreement, such value shall be determined in the manner provided in section ten.

**SEC. 12** That the board shall investigate the relative cost of building merchant vessels in the United States and in foreign maritime countries, and the relative cost, advantages, and disadvantages of operating in the foreign trade vessels under United States registry and under foreign registry. It shall examine the rules under which vessels are constructed abroad and in the United States, and the methods of classifying and rating same, and it shall examine into the subject of marine insurance, the number of companies in the United States, domestic and foreign, engaging in marine insurance, the extent of the insurance on hulls and cargoes placed or written in the United States, and the extent of reinsurance of American maritime risks in foreign companies, and

ascertain what steps may be necessary to develop an ample marine insurance system as an aid in the development of an American merchant marine. It shall examine the navigation laws of the United States and the rules and regulations thereunder, and make such recommendations to the Congress as it deems proper for the amendment, improvement, and revision of such laws, and for the development of the American merchant marine. It shall investigate the legal status of mortgage loans on vessel property, with a view to means of improving the security of such loans and of encouraging investment in American shipping.

It shall, on or before the first day of December in each year, make a report to the Congress, which shall include its recommendations and the results of its investigations, a summary of its transactions, and a statement of all expenditures and receipts under this Act, and of the operations of any corporation in which the United States is a stockholder, and the names and compensation of all persons employed by the board.

SEC. 13 That for the purpose of carrying out the provisions of sections five and eleven no liability shall be incurred exceeding a total of \$50,000,000 and the Secretary of the Treasury, upon the request of the board, approved by the President, shall from time to time issue and sell or use any of the bonds of the United States now available in the Treasury under the Acts of August fifth, nineteen hundred and nine, February fourth, nineteen hundred and ten, and March second, nineteen hundred and eleven, relating to the issue of bonds for the construction of the Panama Canal, to a total amount not to exceed \$50,000,000. *Provided*, That any bonds issued and sold or used under the provisions of this section may be made payable at such time within fifty years after issue as the Secretary of the Treasury may fix, instead of fifty years after the date of issue, as prescribed in the Act of August fifth, nineteen hundred and nine.

The proceeds of such bonds and the net proceeds of all sales, charters, and leases of vessels and of sales of stock made by the board, and all other moneys received by it from any source, shall be covered into the Treasury to the credit of the board, and are hereby permanently appropriated for the purpose of carrying out the provisions of sections five and eleven.

SEC. 14 That no common carrier by water shall directly or indirectly—

First. Pay, or allow, or enter into any combination, agreement, or understanding, express or implied, to pay or allow, a deferred rebate to any shipper. The term "deferred rebate" in this Act means a return of any portion of the freight money by a carrier to any shipper as a consideration for the giving of all or any portion of his shipments to the same or any other carrier, or for any other purpose, the payment of which is deferred beyond the completion of the service for which it is paid, and is made only if, during both the period for which computed and the period of deferment, the shipper has complied with the terms of the rebate agreement or arrangement.

Second. Use a fighting ship either separately or in conjunction with any other carrier, through agreement or otherwise. The term "fighting ship" in this Act means a vessel used in a particular trade by a carrier

or group of carriers for the purpose of excluding, preventing, or reducing competition by driving another carrier out of said trade

Third Retaliate against any shipper by refusing, or threatening to refuse, space accommodations when such are available, or resort to other discriminating or unfair methods, because such shipper has patronized any other carrier or has filed a complaint charging unfair treatment, or for any other reason

Fourth Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered, or unfairly treat or unjustly discriminate against any shipper in the matter of (a) cargo space accommodations or other facilities, due regard being had for the proper loading of the vessel and the available tonnage, (b) the loading and landing of freight in proper condition, or (c) the adjustment and settlement of claims

Any carrier who violates any provision of this section shall be guilty of a misdemeanor punishable by a fine of not more than \$25,000 for each offense.

Sec 15 That every common carrier by water, or other person subject to this Act, shall file immediately with the board a true copy, or, if oral, a true and complete memorandum, of every agreement with another such carrier or other person subject to this Act, or modification or cancellation thereof, to which it may be a party or conform in whole or in part, fixing or regulating transportation rates or fares, giving or receiving special rates, accommodations, or other special privileges or advantages, controlling, regulating, preventing, or destroying competition, pooling or apportioning earnings, losses, or traffic, allotting ports or restricting or otherwise regulating the number and character of sailings between ports, limiting or regulating in any way the volume or character of freight or passenger traffic to be carried, or in any manner providing for an exclusive, preferential, or co-operative working arrangement The term "agreement" in this section includes understandings, conferences, and other arrangements

The board may by order disapprove, cancel, or modify any agreement, or any modification or cancellation thereof, whether or not previously approved by it, that it finds to be unjustly discriminatory or unfair as between carriers, shippers, exporters, importers, or ports, or between exporters from the United States and their foreign competitors, or to operate to the detriment of the commerce of the United States, or to be in violation of this Act, and shall approve all other agreements, modifications, or cancellations

Agreements existing at the time of the organization of the board shall be lawful until disapproved by the board It shall be unlawful to carry out any agreement or any portion thereof disapproved by the board.

All agreements, modifications, or cancellations made after the organization of the board shall be lawful only when and as long as approved by the board, and before approval or after disapproval it shall be unlawful to carry out in whole or in part, directly or indirectly, any such agreement, modification, or cancellation.

Every agreement, modification, or cancellation lawful under this section shall be excepted from the provisions of the Act approved July second, eighteen hundred and ninety, entitled "An Act to protect trade

and commerce against unlawful restraints and monopolies," and amendments and Acts supplementary thereto, and the provisions of sections seventy-three to seventy-seven, both inclusive, of the Act approved August twenty-seventh, eighteen hundred and ninety-four, entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes," and amendments and Acts supplementary thereto.

Whoever violates any provision of this section shall be liable to a penalty of \$1,000 for each day such violation continues, to be recovered by the United States in a civil action

SEC 16 That it shall be unlawful for any common carrier by water, or other person subject to this Act, either alone or in conjunction with any other person, directly or indirectly—

First To make or give any undue or unreasonable preference or advantage to any particular person, locality, or description of traffic in any respect whatsoever, or to subject any particular person, locality, or description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever

Second To allow any person to obtain transportation for property at less than the regular rates then established and enforced on the line of such carrier, by means of false billing, false classification, false weighing, false report of weight, or by any other unjust or unfair device or means

Third To induce, persuade, or otherwise influence any marine insurance company or underwriter, or agent thereof, not to give a competing carrier by water as favorable a rate of insurance on vessel or cargo, having due regard to the class of vessel or cargo, as is granted to such carrier or other person subject to this Act

SEC. 17 That no common carrier by water in foreign commerce shall demand, charge, or collect any rate, fare, or charge which is unjustly discriminatory between shippers or ports, or unjustly prejudicial to exporters of the United States as compared with their foreign competitors. Whenever the board finds that any such rate, fare, or charge is demanded, charged, or collected it may alter the same to the extent necessary to correct such unjust discrimination or prejudice and make an order that the carrier shall discontinue demanding, charging, or collecting any such unjustly discriminatory or prejudicial rate, fare, or charge

Every such carrier and every other person subject to this Act shall establish, observe, and enforce just and reasonable regulations and practices relating to or connected with the receiving, handling, storing, or delivering of property. Whenever the board finds that any such regulation or practice is unjust or unreasonable it may determine, prescribe, and order enforced a just and reasonable regulation or practice

SEC 18 That every common carrier by water in interstate commerce shall establish, observe, and enforce just and reasonable rates, fares, charges, classifications, and tariffs, and just reasonable regulations and practices relating thereto and to the issuance, form, and substances of tickets, receipts, and bills of lading, the manner and method of presenting, marking, packing, and delivering property for transpor-

tation, the carrying of personal, sample, and excess baggage, the facilities for transportation, and all other matters relating to or connected with the receiving, handling, transporting, storing, or delivering of property

Every such carrier shall file with the board and keep open to public inspection, in the form and manner and within the time prescribed by the board, the maximum rates, fares, and charges for or in connection with transportation between points on its own route, and if a through route has been established, the maximum rates, fares, and charges for or in connection with transportation between points on its own route and points on the route of any other carrier by water

No such carrier shall demand, charge, or collect a greater compensation for such transportation than the rates, fares, and charges filed in compliance with this section, except with the approval of the board and after ten days' public notice in the form and manner prescribed by the board, stating the increase proposed to be made, but the board for good cause shown may waive such notice

Whenever the board finds that any rate, fare, charge, classification, tariff, regulation, or practice, demanded, charged, collected, or observed by such carrier is unjust or unreasonable, it may determine, prescribe, and order enforced a just and reasonable maximum rate, fare, or charge, or a just and reasonable classification, tariff, regulation, or practice

Sec 19 That whenever a common carrier by water in interstate commerce reduces its rates on the carriage of any species of freight to or from competitive points below a fair and remunerative basis with the intent of driving out or otherwise injuring a competitive carrier by water, it shall not increase such rates unless after hearing the board finds that such proposed increase rests upon changed conditions other than the elimination of said competition

Sec 20 That it shall be unlawful for any common carrier by water or other person subject to this Act, or any officer, receiver, trustee, lessee, agent, or employee of such carrier or person, or for any other person authorized by such carrier or person to receive information, knowingly to disclose to or permit to be acquired by any person other than the shipper or consignee, without the consent of such shipper or consignee, any information concerning the nature, kind, quantity, destination, consignee, or routing of any property tendered or delivered to such common carrier or other person subject to this Act for transportation in interstate or foreign commerce, which information may be used to the detriment or prejudice of such shipper or consignee, or which may improperly disclose his business transactions to a competitor, or which may be used to the detriment or prejudice of any carrier, and it shall also be unlawful for any person to solicit or knowingly receive any such information which may be so used

Nothing in this Act shall be construed to prevent the giving of such information in response to any legal process issued under the authority of any court, or to any officer or agent of the Government of the United States, or of any State, Territory, District, or possession thereof, in the exercise of his powers, or to any officer or other duly authorized person seeking such information for the prosecution of persons charged with or suspected of crime, or to another carrier, or its duly authorized agent, for the purpose of adjusting mutual traffic accounts in the ordinary course of business of such carriers

Sec. 21 That the board may require any common carrier by water, or other person subject to this Act, or any officer, receiver, trustee, lessee, agent, or employee thereof, to file with it any periodical or special report, or any account, record, rate, or charge, or any memorandum of any facts and transactions appertaining to the business of such carrier or other person subject to this Act. Such report, account, record, rate, charge, or memorandum shall be under oath whenever the board so requires, and shall be furnished in the form and within the time prescribed by the board. Whoever fails to file any report, account, record, rate, charge, or memorandum as required by this section shall forfeit to the United States the sum of \$100 for each day of such default.

Whoever willfully falsifies, destroys, mutilates, or alters any such report, account, record, rate, charge, or memorandum, or willfully files a false report, account, record, rate, charge, or memorandum shall be guilty of a misdemeanor, and subject upon conviction to a fine of not more than \$1,000, or imprisonment for not more than one year, or to both such fine and imprisonment.

Sec. 22 That any person may file with the board a sworn complaint setting forth any violation of this Act by a common carrier by water, or other person subject to this Act, and asking reparation for the injury, if any, caused thereby. The board shall furnish a copy of the complaint to such carrier or other person, who shall, within a reasonable time specified by the board, satisfy the complaint or answer it in writing. If the complaint is not satisfied the board shall, except as otherwise provided in this Act, investigate it in such manner and by such means, and make such order as it deems proper. The board, if the complaint is filed within two years after the cause of action accrued, may direct the payment, on or before a day named, of full reparation to the complainant for the injury caused by such violation.

The board, upon its own motion, may in like manner and, except as to orders for the payment of money, with the same powers, investigate any violation of this Act.

Sec. 23 Orders of the board relating to any violation of this Act shall be made only after full hearing, and upon a sworn complaint or in proceedings instituted of its own motion.

All orders of the board other than for the payment of money made under this Act shall continue in force for such time, not exceeding two years, as shall be prescribed therein by the board, unless suspended, modified, or set aside by the board or any court of competent jurisdiction.

Sec. 24 That the board shall enter of record a written report of every investigation made under this Act in which a hearing has been held, stating its conclusions, decision, and order, and, if reparation is awarded, the findings of fact on which the award is made, and shall furnish a copy of such report to all parties to the investigation.

The board may publish such reports in the form best adapted for public information and use, and such authorized publications shall, without further proof or authentication, be competent evidence of such reports in all courts of the United States and of the States, Territories, Districts, and possessions thereof.

Sec 25. That the board may reverse, suspend, or modify, upon such notice and in such manner as it deems proper, any order made by it. Upon application of any party to a decision or order it may grant a rehearing of the same or any matter determined therein, but no such application for or allowance of a rehearing shall, except by special order of the board, operate as a stay of such order.

Sec. 26. The board shall have power, and it shall be its duty whenever complaint shall be made to it, to investigate the action of any foreign Government with respect to the privileges afforded and burdens imposed upon vessels of the United States engaged in foreign trade whenever it shall appear that the laws, regulations, or practices of any foreign Government operate in such a manner that vessels of the United States are not accorded equal privileges in foreign trade with vessels of such foreign countries or vessels of other foreign countries, either in trade to or from the ports of such foreign country or in respect of the passage or transportation through such foreign country of passengers or goods intended for shipment or transportation in such vessels of the United States, either to or from ports of such foreign country or to or from ports of other foreign countries. It shall be the duty of the board to report the results of its investigation to the President with its recommendations, and the President is hereby authorized and empowered to secure by diplomatic action equal privileges for vessels of the United States engaged in such foreign trade. And if by such diplomatic action the President shall be unable to secure such equal privileges then the President shall advise Congress as to the facts and his conclusions by special message, if deemed important in the public interest, in order that proper action may be taken thereon.

Sec 27 That for the purpose of investigating alleged violations of this Act, the board may by subpoena compel the attendance of witnesses and the production of books, papers, documents, and other evidence from any place in the United States at any designated place of hearing. Subpoenas may be signed by any commissioner, and oaths or affirmations may be administered, witnesses examined, and evidence received by any commissioner or examiner, or, under the direction of the board, by any person authorized under the laws of the United States or of any State, Territory, District, or possession thereof to administer oaths. Persons so acting under the direction of the board and witnesses shall, unless employees of the board, be entitled to the same fees and mileage as in the courts of the United States. Obedience to any such subpoena shall, on application by the board, be enforced as are orders of the board other than for the payment of money.

Sec 28 That no person shall be excused, on the ground that it may tend to incriminate him or subject him to a penalty or forfeiture, from attending and testifying, or producing books, papers, documents, and other evidence, in obedience to the subpoena of the board or of any court in any proceeding based upon or growing out of any alleged violation of this Act, but no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing as to which, in obedience to a subpoena and under oath, he may so testify or produce evidence, except that no person shall be exempt from prosecution and punishment for perjury committed in so testifying.

Sec. 29. That in case of violation of any order of the board, other than an order for the payment of money, the board, or any party injured by such violation, or the Attorney General, may apply to a district court having jurisdiction of the parties, and if, after hearing, the court determines that the order was regularly made and duly issued, it shall enforce obedience thereto by a writ of injunction or other proper process, mandatory or otherwise

Sec 30 That in case of violation of any order of the board for the payment of money the person to whom such award was made may file in the district court for the district in which such person resides, or in which is located any office of the carrier or other person to whom the order was directed, or in which is located any point of call on a regular route operated by the carrier, or in any court of general jurisdiction of a State, Territory, District, or possession of the United States having jurisdiction of the parties, a petition or suit setting forth briefly the causes for which he claims damages and the order of the board in the premises

In the district court the findings and order of the board shall be prima facie evidence of the facts therein stated, and the petitioner shall not be liable for costs, nor shall he be liable for costs at any subsequent stage of the proceedings unless they accrue upon his appeal. If a petitioner in a district court finally prevails, he shall be allowed a reasonable attorney's fee, to be taxed and collected as part of the costs of the suit

All parties in whose favor the board has made an award of reparation by a single order may be joined as plaintiffs, and all other parties to such order may be joined as defendants, in a single suit in any district in which any one such plaintiff could maintain a suit against any one such defendant. Service of process against any such defendant not found in that district may be made in any district in which is located any office of, or point of call on a regular route operated by, such defendant. Judgment may be entered in favor of any plaintiff against the defendant liable to that plaintiff

No petition or suit for the enforcement of an order for the payment of money shall be maintained unless filed within one year from the date of the order

Sec 31 That the venue and procedure in the courts of the United States in suits brought to enforce, suspend, or set aside, in whole or in part, any order of the board shall, except as herein otherwise provided, be the same as in similar suits in regard to orders of the Interstate Commerce Commission, but such suits may also be maintained in any district court having jurisdiction of the parties

Sec 32 That whoever violates any provision of this Act, except where a different penalty is provided, shall be guilty of a misdemeanor, punishable by fine of not to exceed \$5,000

Sec 33 That this Act shall not be construed to affect the power or jurisdiction of the Interstate Commerce Commission, nor to confer upon the board concurrent power or jurisdiction over any matter within the power or jurisdiction of such commission; nor shall this Act be construed to apply to intrastate commerce



**Sec. 34** That if any provision of this Act, or the application of such provision to certain circumstances, is held unconstitutional, the remainder of the Act, and the application of such provision to circumstances other than those as to which it is held unconstitutional, shall not be affected thereby

**Sec 35** That for the fiscal year ending June thirtieth, nineteen hundred and seventeen, the sum of \$100,000 is hereby appropriated, out of any moneys in the Treasury of the United States not otherwise appropriated, for the purpose of defraying the expenses of the establishment and maintenance of the board, including the payment of salaries herein authorized

**Sec 36** The Secretary of the Treasury is authorized to refuse a clearance to any vessel or other vehicle laden with merchandise destined for a foreign or domestic port whenever he shall have satisfactory reason to believe that the master, owner, or other officer of such vessel or other vehicle refuses or declines to accept or receive freight or cargo in good condition tendered for such port of destination or for some intermediate port of call, together with the proper freight or transportation charges therefor, by any citizen of the United States, unless the same is fully laden and has no space accommodations for the freight or cargo so tendered, due regard being had for the proper loading of such vessel or vehicle, or unless such freight or cargo consists of merchandise for which such vessel or vehicle is not adaptable

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